

ZIONS BANCORPORATION /UT/
 Form 10-Q
 May 09, 2013

UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 10-Q

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

For the quarterly period ended March 31, 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	87-0227400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One South Main, 15 th Floor	84133
Salt Lake City, Utah	(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 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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
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Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common Stock, without par value, outstanding at April 30, 2013	184,249,786 shares
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PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS (Unaudited)
 ZIONS BANCORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Cash and due from banks	\$928,817	\$1,841,907
Money market investments:		
Interest-bearing deposits	5,785,268	5,978,978
Federal funds sold and security resell agreements	2,340,177	2,775,354
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value \$684,668 and \$674,741)	736,158	756,909
Available-for-sale, at fair value	3,287,844	3,091,310
Trading account, at fair value	28,301	28,290
	4,052,303	3,876,509
Loans held for sale	161,559	251,651
Loans, net of unearned income and fees:		
Loans and leases	37,284,694	37,137,006
FDIC-supported loans	477,725	528,241
	37,762,419	37,665,247
Less allowance for loan losses	841,781	896,087
Loans, net of allowance	36,920,638	36,769,160
Other noninterest-bearing investments	855,388	855,462
Premises and equipment, net	706,746	708,882
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	47,000	50,818
Other real estate owned	89,904	98,151
Other assets	1,208,635	1,290,917
	\$54,110,564	\$55,511,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$17,311,150	\$18,469,458
Interest-bearing:		
Savings and money market	22,760,397	22,896,624
Time	2,889,903	2,962,931
Foreign	1,528,745	1,804,060
	44,490,195	46,133,073
Securities sold, not yet purchased	1,662	26,735
Federal funds purchased and security repurchase agreements	325,107	320,478
Other short-term borrowings	—	5,409
Long-term debt	2,352,569	2,337,113
Reserve for unfunded lending commitments	100,455	106,809

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Other liabilities	489,923	533,660
Total liabilities	47,759,911	49,463,277
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,301,289	1,128,302
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,246,471 and 184,199,198 shares	4,170,888	4,166,109
Retained earnings	1,290,131	1,203,815
Accumulated other comprehensive income (loss)	(406,903	) (446,157)
Controlling interest shareholders' equity	6,355,405	6,052,069
Noncontrolling interests	(4,752	) (3,428)
Total shareholders' equity	6,350,653	6,048,641
	\$54,110,564	\$55,511,918

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2013	2012
Interest income:		
Interest and fees on loans	\$453,433	\$481,794
Interest on money market investments	5,439	4,628
Interest on securities:		
Held-to-maturity	7,974	8,959
Available-for-sale	17,712	23,158
Trading account	190	338
Total interest income	484,748	518,877
Interest expense:		
Interest on deposits	15,642	23,413
Interest on short-term borrowings	92	779
Interest on long-term debt	50,899	57,207
Total interest expense	66,633	81,399
Net interest income	418,115	437,478
Provision for loan losses	(29,035)	) 15,664
Net interest income after provision for loan losses	447,150	421,814
Noninterest income:		
Service charges and fees on deposit accounts	43,580	43,532
Other service charges, commissions and fees	42,731	39,047
Trust and wealth management income	6,994	6,374
Capital markets and foreign exchange	7,486	5,734
Dividends and other investment income	12,724	9,480
Loan sales and servicing income	10,951	8,352
Fair value and nonhedge derivative loss	(5,445)	) (4,400)
Equity securities gains, net	2,832	9,145
Fixed income securities gains, net	3,299	720
Impairment losses on investment securities:		
Impairment losses on investment securities	(31,493)	) (18,273)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	21,376	8,064
Net impairment losses on investment securities	(10,117)	) (10,209)
Other	6,184	4,045
Total noninterest income	121,219	111,820
Noninterest expense:		
Salaries and employee benefits	229,789	224,634
Occupancy, net	27,389	27,951
Furniture and equipment	26,074	26,792
Other real estate expense	1,977	7,810
Credit-related expense	10,482	13,485
Provision for unfunded lending commitments	(6,354)) (3,704)
Legal and professional services	10,471	11,096
Advertising	5,893	5,807

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FDIC premiums	9,711	10,919	
Amortization of core deposit and other intangibles	3,819	4,291	
Other	78,097	63,291	
Total noninterest expense	397,348	392,372	
Income before income taxes	171,021	141,262	
Income taxes	60,634	51,859	
Net income	110,387	89,403	
Net loss applicable to noncontrolling interests	(336) (273)
Net income applicable to controlling interest	110,723	89,676	
Preferred stock dividends	(22,399) (64,187)
Net earnings applicable to common shareholders	\$88,324	\$25,489	
Weighted average common shares outstanding during the period:			
Basic shares	183,396	182,798	
Diluted shares	183,655	182,964	
Net earnings per common share:			
Basic	\$0.48	\$0.14	
Diluted	0.48	0.14	
See accompanying notes to consolidated financial statements.			

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

(In thousands)	Three Months Ended	
	March 31, 2013	2012
Net income	\$110,387	\$89,403
Other comprehensive income (loss), net of tax:		
Net realized and unrealized holding gains on investments	48,796	22,614
Reclassification for net losses on investments included in earnings	3,962	5,798
Noncredit-related impairment losses on securities not expected to be sold	(12,754	) (4,980
Accretion of securities with noncredit-related impairment losses not expected to be sold	209	165
Net unrealized losses on derivative instruments	(959	) (3,080
Other comprehensive income	39,254	20,517
Comprehensive income	149,641	109,920
Comprehensive loss applicable to noncontrolling interests	(336	) (273
Comprehensive income applicable to controlling interest	\$149,977	\$110,193
See accompanying notes to consolidated financial statements.		

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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				110,723		(336)	110,387
Other comprehensive income					39,254		39,254
Issuance of preferred stock Subordinated debt converted to preferred stock	171,827 1,160		(3,076) (169)				168,751 991
Net activity under employee plans and related tax benefits		47,273	7,438				7,438
Dividends on preferred stock				(22,399)			(22,399)
Dividends on common stock, \$0.01 per share				(1,833)			(1,833)
Change in deferred compensation				(175)			(175)
Other changes in noncontrolling interests			586			(988)	(402)
Balance at March 31, 2013	\$1,301,289	184,246,471	\$4,170,888	\$1,290,131	\$(406,903)	\$(4,752)	\$6,350,653
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				89,676		(273)	89,403
Other comprehensive income					20,517		20,517
Preferred stock redemption Subordinated debt converted to preferred stock	(700,000) 34,839		(5,065)				(700,000) 29,774
Net activity under employee plans and related tax benefits		92,790	4,345				4,345
Dividends on preferred stock	25,234			(64,187) (1,843)			(38,953) (1,843)

Dividends on common stock, \$0.01 per share							
Change in deferred compensation			289				289
Other changes in noncontrolling interests						18	18
Balance at March 31, 2012	\$1,737,633	184,228,178	\$4,162,522	\$1,060,525	\$(571,567)	\$(2,335)	\$6,386,778

See accompanying notes to consolidated financial statements.

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

(In thousands)	Three Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	\$ 110,387	\$ 89,403
Adjustments to reconcile net income to net cash provided by operating activities:		
Net impairment losses on investment securities	10,117	10,209
Provision for credit losses	(35,389	) 11,960
Depreciation and amortization	46,233	57,143
Deferred income tax expense	1,282	19,685
Net decrease (increase) in trading securities	(11	) 21,240
Net decrease in loans held for sale	89,996	20,913
Net write-downs of and gains/losses from sales of other real estate owned	53	7,832
Change in other liabilities	(48,477	) (18,799
Change in other assets	51,580	50,425
Other, net	(15,505	) (21,916
Net cash provided by operating activities	210,266	248,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in money market investments	628,887	(558,979
Proceeds from maturities and paydowns of investment securities held-to-maturity	53,612	20,579
Purchases of investment securities held-to-maturity	(45,800	) (9,277
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	359,223	440,982
Purchases of investment securities available-for-sale	(486,975	) (406,303
Proceeds from sales of loans and leases	6,011	26,309
Net loan and lease collections (originations)	(134,837	) 415,411
Net decrease in other noninterest-bearing investments	7,388	5,729
Net purchases of premises and equipment	(15,800	) (15,162
Proceeds from sales of other real estate owned	27,974	39,399
Net cash paid for divestitures	—	(22,568
Net cash provided by (used in) investing activities	399,683	(63,880
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(1,642,878	) 252,837
Net change in short-term funds borrowed	(25,853	) (168,831
Proceeds from issuance of long-term debt	19,362	332,750
Repayments of long-term debt	(18,398	) (141
Cash paid for preferred stock redemption	—	(700,000
Proceeds from issuances of common and preferred stock	169,399	342
Dividends paid on common and preferred stock	(24,232) (40,796
Other, net	(439) (2,540

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Net cash used in financing activities	(1,523,039) (326,379)
Net decrease in cash and due from banks	(913,090) (142,164)
Cash and due from banks at beginning of period	1,841,907	1,224,350	
Cash and due from banks at end of period	\$928,817	\$1,082,186	
Cash paid for interest	\$62,131	\$62,789	
Net cash paid (refund received) for income taxes	3,565	(21,668)
See accompanying notes to consolidated financial statements.			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 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 months ended March 31, 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 March	
	31, 2013	2012
Loans transferred to other real estate owned	\$23,442	\$52,575
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	169	5,065
Subordinated debt converted to preferred stock	991	29,774

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.

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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:

March 31, 2013						
(In thousands)	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	\$2,590,177	\$(250,000)	\$2,340,177	\$—	\$ —	\$2,340,177
Derivatives (included in other assets)	71,994	—	71,994	(255)	) —	71,739
	\$2,662,171	\$(250,000)	\$2,412,171	\$(255)	) \$ —	\$2,411,916
Liabilities:						
Federal funds purchased and security repurchase agreements	\$575,107	\$(250,000)	\$325,107	\$—	\$ —	\$325,107
Derivatives (included in other liabilities)	79,712	—	79,712	(255)	) (72,882)	6,575
	\$654,819	\$(250,000)	\$404,819	\$(255)	) \$ (72,882)	\$331,682
December 31, 2012						
(In thousands)	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:						

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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

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ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

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

(In thousands)	March 31, 2013				Not recognized in OCI		
	Amortized cost	Recognized in OCI ¹		Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	\$517,199	\$—	\$—	\$517,199	\$13,134	\$912	\$529,421
Asset-backed securities:							
Trust preferred securities – banks and insurance	255,238	—	55,675	199,563	2,599	58,743	143,419
Other	21,695	—	2,399	19,296	779	8,347	11,728
Other debt securities	100	—	—	100	—	—	100
	\$794,232	\$—	\$58,074	\$736,158	\$16,512	\$68,002	\$684,668
Available-for-sale							
U.S. Treasury securities	\$54,346	\$188	\$—	\$54,534			\$54,534
U.S. Government agencies and corporations:							
Agency securities	273,658	3,418	80	276,996			276,996
Agency guaranteed mortgage-backed securities	372,863	17,075	74	389,864			389,864
Small Business Administration loan-backed securities	1,086,540	29,503	785	1,115,258			1,115,258
Municipal securities	69,808	2,327	1,227	70,908			70,908
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,571,338	21,991	590,105	1,003,224			1,003,224
Trust preferred securities – real estate investment trusts	40,548	—	23,242	17,306			17,306
Auction rate securities	6,505	80	61	6,524			6,524
Other	22,903	626	4,286	19,243			19,243
	3,498,509	75,208	619,860	2,953,857			2,953,857
Mutual funds and other	336,171	160	2,344	333,987			333,987
	\$3,834,680	\$75,368	\$622,204	\$3,287,844			\$3,287,844

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012				Not recognized in OCI		
	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

¹The gross unrealized losses recognized in other comprehensive income (“OCI”) on held-to-maturity (“HTM”) securities primarily resulted from a previous transfer of available-for-sale (“AFS”) securities to HTM.

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of March 31, 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:

(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair	Amortized cost	Estimated fair

		value		value
Due in one year or less	\$56,850	\$56,822	\$475,173	\$445,900
Due after one year through five years	176,522	175,404	1,080,560	1,001,467
Due after five years through ten years	191,103	163,282	644,020	582,997
Due after ten years	369,757	289,160	1,298,756	923,493
	\$794,232	\$684,668	\$3,498,509	\$2,953,857

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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)	March 31, 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	\$885	\$43,048	\$27	\$2,899	\$912	\$45,947
Asset-backed securities:						
Trust preferred securities – banks and insurance	97	56	114,321	143,363	114,418	143,419
Other	—	—	10,746	11,233	10,746	11,233
	\$982	\$43,104	\$125,094	\$157,495	\$126,076	\$200,599
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	\$7	\$8,199	\$73	\$6,954	\$80	\$15,153
Agency guaranteed mortgage-backed securities	70	13,190	4	568	74	13,758
Small Business Administration loan-backed securities	55	14,056	730	62,081	785	76,137
Municipal securities	18	2,487	1,209	9,407	1,227	11,894
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	590,105	827,166	590,105	827,166
Trust preferred securities – real estate investment trusts	—	—	23,242	17,306	23,242	17,306
Auction rate securities	—	—	61	2,465	61	2,465
Other	—	—	4,286	15,475	4,286	15,475
	150	37,932	619,710	941,422	619,860	979,354
Mutual funds and other	2,344	127,748	—	—	2,344	127,748
	\$2,494	\$165,680	\$619,710	\$941,422	\$622,204	\$1,107,102

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(In thousands)	December 31, 2012		12 months or more		Total Gross unrealized losses	Estimated fair value
	Less than 12 months 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
Other debt securities	—	—	—	—	—	—
	\$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

At March 31, 2013 and December 31, 2012, respectively, 102 and 84 HTM and 239 and 256 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 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 March 31, 2013:

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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. 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 March 31, 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:

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 1) 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. 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 2) 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 March 31, 2013, 83 banks underlying our CDO tranches had come current after a period of deferral, while 183 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.

Ratings are generally below investment grade for even some of the most senior tranches. Ratings on a number of 3) 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

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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.

Effective December 31, 2012, we added a probability of default ("PD") overlay model for deferrals to the ratio-based PD model we have used for several years. While the historic ratio-based PD model had proven predictive of bank closures, we observed new emerging loss patterns from long-term deferrals in late 2012. Developments supported greater risk of bankruptcy, debt restructurings, or alternative actions that could cause loss in excess of ratio-based PDs for remaining deferrals. The PD overlay model for deferrals quantified these risks for the remaining deferrals. Our ongoing review of these securities determined that OTTI should be recorded for the three months ended March 31, 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, no OTTI for these securities was recorded for the three months ended March 31, 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 March 31, 2013.

OTTI – U.S. Government Agencies and Corporations

Small Business Administration ("SBA") Loan-Backed Securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended March 31, 2013.

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

(In thousands)	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	\$ (13,549)	\$ (394,494)	\$ (408,043)	\$ (6,126)	\$ (314,860)	\$ (320,986)
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	—	(9,714)	(9,714)	—	(10,209)	(10,209)
Subtotal of amounts recognized in earnings	(403)	(9,714)	(10,117)	—	(10,209)	(10,209)
	—	—	—	—	16,853	16,853

Reductions for securities sold or paid off
during the period

Balance of credit-related OTTI at end of period	\$(13,952)	\$(404,208)	\$(418,160)	\$(6,126)	\$(308,216)	\$(314,342)
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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 March 31,	
	2013	2012
HTM	\$16,114	\$—
AFS	5,262	8,064
	\$21,376	\$8,064

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

(In thousands)	Three Months Ended			
	March 31, 2013		March 31, 2012	
	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:				
Held-to-maturity	\$24	\$403	\$49	\$—
Available-for-sale	3,276	9,715	6,459	15,997
Other noninterest-bearing investments:				
Nonmarketable equity securities	2,857	25	9,203	58
	6,157	10,143	15,711	16,055
Net gains (losses)		\$(3,986)		\$(344)
Statement of income information:				
Net impairment losses on investment securities		\$(10,117)		\$(10,209)
Equity securities gains, net		2,832		9,145
Fixed income securities gains, net		3,299		720
Net gains (losses)		\$(3,986)		\$(344)

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

During the three months ended March 31, nontaxable interest income on securities was \$3.4 million in 2013 and \$4.8 million in 2012.

Securities with a carrying value of \$1.5 billion at March 31, 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.

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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)	March 31, 2013	December 31, 2012
Loans held for sale	\$161,559	\$251,651
Commercial:		
Commercial and industrial	\$11,503,964	\$11,256,945
Leasing	389,723	422,513
Owner occupied	7,501,094	7,589,082
Municipal	484,038	494,183
Total commercial	19,878,819	19,762,723
Commercial real estate:		
Construction and land development	2,039,449	1,939,413
Term	8,011,727	8,062,819
Total commercial real estate	10,051,176	10,002,232
Consumer:		
Home equity credit line	2,124,719	2,177,680
1-4 family residential	4,408,284	4,350,329
Construction and other consumer real estate	319,707	321,235
Bankcard and other revolving plans	293,608	306,428
Other	208,381	216,379
Total consumer	7,354,699	7,372,051
FDIC-supported loans	477,725	528,241
Total loans	\$37,762,419	\$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 \$128.4 million at March 31, 2013 and \$137.5 million at December 31, 2012.

Owner occupied and commercial real estate loans include unamortized premiums of approximately \$56.1 million at March 31, 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.

Loans with a carrying value of approximately \$22.0 billion at March 31, 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 \$448 million and \$426 million for the three months ended March 31, 2013 and 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 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 \$359 million and

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\$408 million, respectively. Income from loans sold, excluding servicing, for these same periods was \$8.5 million and \$6.0 million.

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 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 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 most recent 60 months.

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.

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. The current status and historical changes in qualitative and environmental factors may not be reflected in our quantitative models. 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

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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 the allowance for credit losses are summarized as follows:

(In thousands)	Three Months Ended March 31, 2013				
	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	(3,229)	(18,628)	(5,020)	(2,158)	(29,035)
Adjustment for FDIC-supported loans	—	—	—	(7,429)	(7,429)
Deductions:					
Gross loan and lease charge-offs	(18,100)	(7,224)	(9,937)	(206)	(35,467)
Recoveries	7,351	5,297	3,923	1,054	17,625
Net loan and lease charge-offs	(10,749)	(1,927)	(6,014)	848	(17,842)
Balance at end of period	\$496,930	\$256,421	\$84,622	\$3,808	\$841,781
Reserve for unfunded lending commitments:					
Balance at beginning of period	\$67,374	\$37,852	\$1,583	\$—	\$106,809
Provision credited to earnings	(1,742)	(4,612)	—	—	(6,354)
Balance at end of period	\$65,632	\$33,240	\$1,583	\$—	\$100,455
Total allowance for credit losses at end of period:					
Allowance for loan losses	\$496,930	\$256,421	\$84,622	\$3,808	\$841,781
Reserve for unfunded lending commitments	65,632	33,240	1,583	—	100,455
Total allowance for credit losses	\$562,562	\$289,661	\$86,205	\$3,808	\$942,236

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(In thousands)	Three Months Ended March 31, 2012				
	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	9,811	5,215	(48)	686	15,664
Adjustment for FDIC-supported loans	—	—	—	(1,057)	(1,057)
Deductions:					
Gross loan and lease charge-offs	(33,477)	(27,011)	(17,009)	(2,517)	(80,014)
Recoveries	9,656	12,348	3,043	461	25,508
Net loan and lease charge-offs	(23,821)	(14,663)	(13,966)	(2,056)	(54,506)
Balance at end of period	\$547,341	\$334,299	\$109,101	\$21,045	\$1,011,786
Reserve for unfunded lending commitments:					
Balance at beginning of period	\$77,232	\$23,572	\$1,618	\$—	\$102,422
Provision charged (credited) to earnings	(5,230)	2,227	(701)	—	(3,704)
Balance at end of period	\$72,002	\$25,799	\$917	\$—	\$98,718
Total allowance for credit losses at end of period:					
Allowance for loan losses	\$547,341	\$334,299	\$109,101	\$21,045	\$1,011,786
Reserve for unfunded lending commitments	72,002	25,799	917	—	98,718
Total allowance for credit losses	\$619,343	\$360,098	\$110,018	\$21,045	\$1,110,504

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

During the three months ended March 31, 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 and \$85.6 million at March 31, 2012 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:

(In thousands)	March 31, 2013				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	\$39,021	\$20,738	\$12,560	\$—	\$72,319
Collectively evaluated for impairment	457,909	235,683	72,062	247	765,901
Purchased loans with evidence of credit deterioration	—	—	—	3,561	3,561
Total	\$496,930	\$256,421	\$84,622	\$3,808	\$841,781
Outstanding loan balances:					
Individually evaluated for impairment	\$355,389	\$406,662	\$111,593	\$1,389	\$875,033

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Collectively evaluated for impairment	19,523,430	9,644,514	7,243,106	48,613	36,459,663
Purchased loans with evidence of credit deterioration	—	—	—	427,723	427,723
Total	\$19,878,819	\$10,051,176	\$7,354,699	\$477,725	\$37,762,419

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(In thousands)	December 31, 2012				Total
	Commercial	Commercial real estate	Consumer	FDIC- supported	
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.

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.

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Nonaccrual loans are summarized as follows:

(In thousands)	March 31, 2013	December 31, 2012
Loans held for sale	\$—	\$—
Commercial:		
Commercial and industrial	\$99,137	\$90,859
Leasing	971	838
Owner occupied	195,484	206,031
Municipal	9,185	9,234
Total commercial	304,777	306,962
Commercial real estate:		
Construction and land development	93,078	107,658
Term	102,071	124,615
Total commercial real estate	195,149	232,273
Consumer:		
Home equity credit line	12,416	14,247
1-4 family residential	70,519	70,180
Construction and other consumer real estate	4,335	4,560
Bankcard and other revolving plans	731	1,190
Other	1,294	1,398
Total consumer loans	89,295	91,575
FDIC-supported loans	4,927	17,343
Total	\$594,148	\$648,153

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

March 31, 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
Loans held for sale	\$161,559	\$—	\$—	\$—	\$161,559	\$—	\$—
Commercial:							
Commercial and industrial	\$11,384,560	\$57,408	\$61,996	\$119,404	\$11,503,964	\$4,505	\$33,626
Leasing	387,918	1,058	747	1,805	389,723	—	—
Owner occupied	7,361,392	70,199	69,503	139,702	7,501,094	1,635	102,498
Municipal	478,285	5,753	—	5,753	484,038	—	3,432
Total commercial	19,612,155	134,418	132,246	266,664	19,878,819	6,140	139,556
Commercial real estate:							
Construction and land development	1,985,096	18,809	35,544	54,353	2,039,449	1,390	55,983
Term	7,925,008	36,805	49,914	86,719	8,011,727	3,979	44,076
Total commercial real estate	9,910,104	55,614	85,458	141,072	10,051,176	5,369	100,059
Consumer:							

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Home equity credit line	2,117,610	4,412	2,697	7,109	2,124,719	—	7,781
1-4 family residential	4,359,621	15,765	32,898	48,663	4,408,284	59	31,640
Construction and other consumer real estate	314,383	3,897	1,427	5,324	319,707	251	2,558
Bankcard and other revolving plans	289,108	3,546	954	4,500	293,608	876	568
Other	206,312	1,123	946	2,069	208,381	13	262
Total consumer loans	7,287,034	28,743	38,922	67,665	7,354,699	1,199	42,809
FDIC-supported loans	415,782	12,422	49,521	61,943	477,725	47,208	1,763
Total	\$37,225,075	\$231,197	\$306,147	\$537,344	\$37,762,419	\$59,916	\$284,187

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(In thousands)	December 31, 2012				Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current ¹
	Current	30-89 days past due	90+ days past due	Total past due			
Loans held for sale	\$251,651	\$—	\$—	\$—	\$251,651	\$—	\$—
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 may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the bank is currently protected and loss is considered unlikely and not imminent.

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.

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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 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:

(In thousands)	March 31, 2013					
	Pass	Special Mention	Sub- standard	Doubtful	Total loans	Total allowance
Loans held for sale	\$ 161,559	\$—	\$—	\$—	\$ 161,559	\$—
Commercial:						
Commercial and industrial	\$ 10,909,863	\$ 247,113	\$ 341,882	\$ 5,106	\$ 11,503,964	
Leasing	386,186	217	3,296	24	389,723	
Owner occupied	6,773,156	122,691	601,121	4,126	7,501,094	
Municipal	469,254	5,599	9,185	—	484,038	
Total commercial	18,538,459	375,620	955,484	9,256	19,878,819	\$ 496,930
Commercial real estate:						
Construction and land development	1,827,136	44,126	165,359	2,828	2,039,449	
Term	7,361,632	214,651	431,978	3,466	8,011,727	
Total commercial real estate	9,188,768	258,777	597,337	6,294	10,051,176	256,421
Consumer:						
Home equity credit line	2,084,851	87	39,781	—	2,124,719	
1-4 family residential	4,294,854	4,896	108,092	442	4,408,284	
Construction and other consumer real estate	311,634	4	8,069	—	319,707	
Bankcard and other revolving plans	287,354	21	6,233	—	293,608	
Other	202,024	2,813	3,544	—	208,381	
Total consumer loans	7,180,717	7,821	165,719	442	7,354,699	84,622
FDIC-supported loans	305,528	22,917	149,280	—	477,725	3,808
Total	\$ 35,213,472	\$ 665,135	\$ 1,867,820	\$ 15,992	\$ 37,762,419	\$ 841,781

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(In thousands)	December 31, 2012					
	Pass	Special Mention	Sub- standard	Doubtful	Total loans	Total allowance
Loans held for sale	\$251,651	\$—	\$—	\$—	\$251,651	\$—
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-PCI 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. 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 months ended March 31, 2013 and 2012 was \$0.1 million and \$0.3 million, respectively.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three months ended March 31, 2013 and 2012:

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Total	\$1,908,339	\$574,793	\$751,045	\$1,325,838	\$77,089
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(In thousands)	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:				
Commercial and industrial	\$ 177,745	\$ 856	\$ 178,428	\$ 888
Owner occupied	182,825	806	204,469	600
Municipal	—	—	—	—
Total commercial	360,570	1,662	382,897	1,488
Commercial real estate:				
Construction and land development	147,225	664	257,194	1,562
Term	289,103	1,836	346,399	1,973
Total commercial real estate	436,328	2,500	603,593	3,535
Consumer:				
Home equity credit line	11,455	59	1,280	1
1-4 family residential	99,191	382	93,838	320
Construction and other consumer real estate	6,122	46	8,261	42
Bankcard and other revolving plans	—	—	—	—
Other	1,816	—	2,771	—
Total consumer loans	118,584	487	106,150	363
FDIC-supported loans	447,841	25,153	¹ 641,099	21,992
Total	\$ 1,363,323	\$ 29,802	\$ 1,733,739	\$ 27,378

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

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

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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:

(In thousands)	March 31, 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	\$3,759	\$10,216	\$ —	\$8,130	\$18,767	\$43,572	\$84,444
Owner occupied	22,299	5,309	1,005	3,001	9,956	14,998	56,568
Total commercial	26,058	15,525	1,005	11,131	28,723	58,570	141,012
Commercial real estate:							
Construction and land development	1,693	13,148	—	59	8,257	25,718	48,875
Term	30,504	9,982	8,498	4,925	29,248	83,555	166,712
Total commercial real estate	32,197	23,130	8,498	4,984	37,505	109,273	215,587
Consumer:							
Home equity credit line	743	—	6,029	—	108	193	7,073
1-4 family residential	3,042	1,314	6,362	332	4,050	33,852	48,952
Construction and other consumer real estate	142	1,181	—	—	419	1,812	3,554
Other	—	3	—	—	—	—	3
Total consumer loans	3,927	2,498	12,391	332	4,577	35,857	59,582
Total accruing	62,182	41,153	21,894	16,447	70,805	203,700	416,181
Nonaccruing							
Commercial:							
Commercial and industrial	170	8,988	—	228	3,927	16,015	29,328
Owner occupied	2,788	3,076	638	4,723	7,181	9,260	27,666
Total commercial	2,958	12,064	638	4,951	11,108	25,275	56,994
Commercial real estate:							
Construction and land development	13,627	1,228	—	—	1,546	59,544	75,945
Term	3,035	519	—	3,053	1,769	15,395	23,771
Total commercial real estate	16,662	1,747	—	3,053	3,315	74,939	99,716
Consumer:							
Home equity credit line	—	—	3,891	—	353	133	4,377
1-4 family residential	4,739	549	4,621	—	4,010	16,538	30,457
Construction and other consumer real estate	11	973	—	—	—	1,169	2,153
	—	278	—	—	—	—	278

Bankcard and other revolving
plans

Total consumer loans	4,750	1,800	8,512	—	4,363	17,840	37,265
Total nonaccruing	24,370	15,611	9,150	8,004	18,786	118,054	193,975
Total	\$86,552	\$56,764	\$31,044	\$24,451	\$89,591	\$321,754	\$610,156

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(In thousands)	December 31, 2012						Total
	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	
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.

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

The total recorded investment of all TDRs in which interest rates were modified below market was \$234.1 million at March 31, 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	
	March 31, 2013	2012
Commercial:		
Commercial and industrial	\$(181)	\$(15)
Owner occupied	(1,060)	(377)
Total commercial	(1,241)	(392)
Commercial real estate:		
Construction and land development	(416)	(219)
Term	(2,659)	(1,546)
Total commercial real estate	(3,075)	(1,765)
Consumer:		
Home equity credit line	(39)	(15)
1-4 family residential	(3,860)	(3,849)
Construction and other consumer real estate	(109)	(108)
Total consumer loans	(4,008)	(3,972)
Total decrease to interest income	\$(8,324) ¹	\$(6,129) ¹

¹Calculated 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:

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(In thousands)	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	\$—	\$25	\$25	\$—	\$249	\$249
Owner occupied	—	135	135	—	1,314	1,314
Total commercial	—	160	160	—	1,563	1,563
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	1,071	1,071	—	1,555	1,555
Total commercial real estate	—	1,071	1,071	—	1,555	1,555
Consumer:						
Home equity credit line	—	85	85	—	—	—
1-4 family residential	—	—	—	—	526	526
Total consumer loans	—	85	85	—	526	526
Total	\$—	\$1,316	\$1,316	\$—	\$3,644	\$3,644

Note: Total loans modified as TDRs during the 12 months previous to March 31, 2013 and 2012 were \$181.5 million and \$276.2 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 March 31, 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. Purchased credit-impaired ("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.

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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)	March 31, 2013	December 31, 2012
Commercial	\$214,799	\$227,414
Commercial real estate	342,752	382,068
Consumer	38,464	41,398
Outstanding balance	\$596,015	\$650,880
Carrying amount	\$429,203	\$472,040
ALLL	3,513	12,077
Carrying amount, net	\$425,690	\$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 \$0.5 million at March 31, 2013 and \$12.2 million at December 31, 2012.

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

(In thousands)	Three Months Ended March 31,	
	2013	2012
Balance at beginning of period	\$ 134,461	\$ 184,679
Accretion	(25,266	) (21,533
Reclassification from nonaccretable difference	14,872	13,869
Disposals and other	2,292	(3,011
Balance at end of period	\$ 126,359	\$ 174,004

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

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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 months ended March 31, 2013 and 2012, we adjusted the ALLL for acquired loans by recording a provision for loan losses of \$(9.6) million and \$(0.4) million, 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 months ended March 31, 2013 and 2012, these adjustments, before FDIC indemnification, resulted in net recoveries of \$0.9 million, and net charge-offs of \$1.1 million, 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 months ended March 31, total reversals to the ALLL were \$9.7 million in 2013 and \$2.7 million in 2012. 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 majority of these loans were originated, and (3) efforts by our credit officers and loan workout professionals to resolve problem loans.

For the three months ended March 31, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately \$19.0 million in 2013 and \$13.2 million in 2012 of additional interest income, and \$20.3 million in 2013 and \$10.0 million in 2012 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.

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Changes in the FDIC IA were as follows:

(In thousands)	Three Months Ended March 31,	
	2013	2012
Balance at beginning of period	\$90,929	\$136,427
Amounts filed with the FDIC and collected or in process ¹	7,671	(1,346)
Net change in asset balance due to reestimation of projected cash flows ²	(27,500)	(11,185)
Balance at end of period	\$71,100	\$123,896

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 commercial 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

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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 March 31, 2013, the fair value of our derivative liabilities was \$79.7 million, for which we have pledged cash collateral of approximately \$90.9 million in the normal course of business. If our credit rating were downgraded by one notch at March 31, 2013, the additional amount of collateral we could be required to pledge is \$3 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 March 31, 2013 and December 31, 2012, and the related gain (loss) of derivative instruments for the three months ended March 31, 2013 and 2012 is summarized as follows:

(In thousands)	March 31, 2013			December 31, 2012		
	Notional amount	Fair value Other assets	Other liabilities	Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges:						
Interest rate swaps	\$ 100,000	\$ 322	\$—	\$ 150,000	\$ 1,188	\$—
Total derivatives designated as hedging instruments	100,000	322	—	150,000	1,188	—
Derivatives not designated as hedging instruments						
Interest rate swaps	80,446	848	852	98,524	1,043	1,047
Interest rate swaps for customers ²	2,696,981	70,824	73,985	2,607,603	79,579	82,926
Total return swap	1,159,686	—	4,875	1,159,686	—	5,127
Total derivatives not designated as hedging instruments	3,937,113	71,672	79,712	3,865,813	80,622	89,100
Total derivatives	\$4,037,113	\$71,994	\$79,712	\$4,015,813	\$81,810	\$89,100

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(In thousands)	Three Months Ended March 31, 2013				Three Months Ended March 31, 2012			
	Amount of derivative gain (loss) recognized/reclassified							
	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	\$ (4)	\$ 1,605	\$ —		\$ 211	\$ 5,294	\$ —	
	(4)	1,605	—		211	5,294	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				\$ 766				750
Total derivatives designated as hedging instruments	(4)	1,605	—	766	211	5,294	—	750
Derivatives not designated as hedging instruments ²								
Interest rate swaps			(67)				(132)	
Interest rate swaps for customers ²			1,458				1,390	
Basis swaps			—				18	
Futures contracts			1				(24)	
Total return swap			(5,558)				(5,450)	
Total derivatives not designated as hedging instruments			(4,166)				(4,198)	
Total derivatives	\$ (4)	\$ 1,605	\$ (4,166)	\$ 766	\$ 211	\$ 5,294	\$ (4,198)	\$ 750

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 months ended March 31, 2013 and 2012 of \$1.6 million and \$5.3 million, respectively, are the amounts of reclassification to earnings from AOCI presented in Note 7.

At March 31, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of \$3.0 million and \$(0.1) million in 2013, and \$3.5 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. For the 12 months following March 31, 2013, we estimate that an additional \$1 million will be reclassified.

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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 \$4.9 million at March 31, 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 March 31, 2013 fair value. We expect to incur subsequent net quarterly costs of approximately \$5.4 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 March 31, 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:

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 1) 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.

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7. DEBT AND SHAREHOLDERS' EQUITY

Debt Issuance and Redemptions

During the three months ended March 31, 2013, we issued a long-term senior medium-term note of \$19 million, which has an interest rate of 2.75% and matures May 2016. During this same period, we redeemed at maturity \$5 million of short-term notes and \$18 million of long-term notes.

Subordinated Debt Conversions

During the three months ended March 31, 2013, approximately \$1 million of convertible subordinated debt was converted into depositary shares each representing a 1/40th interest in a share of the Company's preferred stock. These conversions added 991 shares of Series C to the Company's preferred stock.

For the three months ended March 31, 2013, in connection with these conversions, the \$1.2 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. The remaining balance in common stock of this conversion feature was approximately \$76.4 million at March 31, 2013. Accelerated discount amortization on the converted debt increased interest expense for the three months ended March 31, 2013 by \$0.3 million. At March 31, 2013, the balance at par of the convertible subordinated debt was \$456.8 million. The five largest investor holdings totaled approximately 40% of this amount. The remaining balance of the convertible debt discount was \$137.5 million at March 31, 2013.

Preferred Stock Issuance

On February 7, 2013, we issued \$171.8 million of Series G Fixed/Floating Rate Non-Cumulative Perpetual Preferred Stock. The issuance was in the form of depositary shares with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. The shares are registered with the SEC and qualify as Tier 1 capital. Dividends are payable from the issuance date to March 14, 2023 at an annual rate of 6.30%. Beginning March 15, 2023 (date of earliest redemption), dividends will be payable at an annual floating rate equal to three-month LIBOR plus 4.24%. Net of commissions and fees, the proceeds added \$168.8 million to shareholders' equity.

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 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 place, 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 period for the previous year.

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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
Three Months Ended March 31, 2013				
Balance at December 31, 2012	\$(397,616)	\$1,794	\$ (50,335)	\$(446,157)
Other comprehensive income (loss) before reclassifications, net of tax	36,042	(2)	—	36,040
Amounts reclassified from AOCI, net of tax	4,171	(957)	—	3,214
Other comprehensive income (loss)	40,213	(959)	—	39,254
Balance at March 31, 2013	\$(357,403)	\$835	\$ (50,335)	\$(406,903)

Three Months Ended March 31, 2012

Balance at December 31, 2011	\$(546,763)	\$9,404	\$ (54,725)	\$(592,084)
Other comprehensive income before reclassifications, net of tax	17,634	121	—	17,755
Amounts reclassified from AOCI, net of tax	5,963	(3,201)	—	2,762
Other comprehensive income (loss)	23,597	(3,080)	—	20,517
Balance at March 31, 2012	\$(523,166)	\$6,324	\$ (54,725)	\$(571,567)

(In thousands)	Amounts reclassified from AOCI ¹		Statement of income	Affected line item
Details about AOCI components	Three Months Ended March 31, 2013	2012	(SI) Balance sheet (BS)	
Net realized gains on investment securities	\$3,299	\$720	SI	Fixed income securities gains, net
Income tax expense	1,262	214		
	2,037	506		
Net unrealized losses on investment securities	(9,714)	(10,209)	SI	Net impairment losses on investment securities
Income tax benefit	(3,715)	(3,905)		
	(5,999)	(6,304)		
Accretion of securities with noncredit-related impairment losses not expected to be sold	(344)	(267)	BS	Investment securities, held-to-maturity
Deferred income taxes	135	102	BS	Other assets
	\$(4,171)	\$(5,963)		

Net unrealized gains on derivative instruments	\$1,605	\$5,294	SI	Interest and fees on loans
Income tax expense	648	2,093		
	\$957	\$3,201		

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.

Subsequent Events

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.

On May 3, 2013, we issued \$126.2 million of Series H Fixed-Rate Non-Cumulative Perpetual Preferred Stock. The issuance was in the form of depositary shares with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. The shares are registered with the SEC and qualify as Tier 1 capital. Dividends are payable quarterly in arrears at an annual rate of 5.75% on the 15th day of March, June, September, and December, commencing June 15, 2013. The shares may be redeemed in whole, but not in part, beginning June 15, 2019. Net of commissions and fees, the proceeds added approximately \$123.1 million to shareholders' equity.

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8. INCOME TAXES

The income tax expense rate for the three months ended March 31, 2013 was lower than the tax rate for the same period in 2012 primarily because of a decrease in the nondeductible amount of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock.

The balance of net deferred tax assets was approximately \$381 million at March 31, 2013 and \$406 million at December 31, 2012. We evaluate the 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 March 31, 2013.

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.

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

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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 analyses 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.

Utilization of Third Party Service Providers

We use third party service providers and a licensed internal third party model 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 March 31, 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 March 31, 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 \$79 million of the \$1.1 billion total of AFS Level 3 securities. In addition, the fair values for approximately \$978 million at March 31, 2013 of our AFS Level 3 securities were determined utilizing a licensed internal third party model. 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 or the licensed internal third party model were determined by us using market corroborative data. At March 31, 2013, the Level 2 securities consisted of approximately \$111 million of FAMC securities, \$54 million of municipal securities, and \$7 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.

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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 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 30% 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.

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The resulting five-year PDs at March 31, 2013, after adding the PD overlay model, ranged from 100% for the “worst” deferring banks to 12% for the “best” deferring banks. The weighted average assumed loss rate on deferring collateral was 54%. 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.

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 March 31, 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 + 28.4% 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 + 5.7% 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 March 31, 2013, the discount rates utilized for fair value purposes for tranches that include bank collateral were:

- 1) LIBOR + 5.7% to 7.5% and averaged LIBOR + 5.9% for first priority original AAA-rated bonds;
- 2) LIBOR + 5.6% to 6.9% and averaged LIBOR + 5.9% for lower priority original AAA-rated bonds;

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3)LIBOR + 6.0% to 19.2% and averaged LIBOR + 10.3% for original A-rated bonds; and

4)LIBOR + 11.1% to 28.3% and averaged LIBOR + 19.6% 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, 9% for the original A-rated CDO tranches, and 17% 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

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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.

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)	March 31, 2013			Total
	Level 1	Level 2	Level 3	
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	\$52,989	\$1,783,663		\$1,836,652
Municipal securities		53,865	\$17,043	70,908
Asset-backed securities:				
Trust preferred – banks and insurance		122	1,003,102	1,003,224
Trust preferred – real estate investment trusts			17,306	17,306
Auction rate			6,524	6,524
Other (including ABS CDOs)		3,850	15,393	19,243
Mutual funds and stock	327,008	6,979		333,987
	379,997	1,848,479	1,059,368	3,287,844
Trading account		28,301		28,301
Other noninterest-bearing investments:				
Private equity		5,143	69,706	74,849
Other assets:				
Derivatives:				
Interest rate related and other		1,613		1,613
Interest rate swaps for customers		70,824		70,824
Foreign currency exchange contracts	8,929			8,929
	8,929	72,437		81,366
	\$388,926	\$1,954,360	\$1,129,074	\$3,472,360
LIABILITIES				
Securities sold, not yet purchased	\$1,662			\$1,662
Other liabilities:				
Derivatives:				
Interest rate related and other		\$888		888
Interest rate swaps for customers		73,985		73,985
Foreign currency exchange contracts	7,645			7,645
Total return swap			\$4,875	4,875
	7,645	74,873	4,875	87,393
Other			195	195
	\$9,307	\$74,873	\$5,070	\$89,250

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(In thousands)	December 31, 2012			Total
	Level 1	Level 2	Level 3	
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 months ended March 31, 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 March 31, 2013:

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(Dollars in thousands)	Fair value at March 31, 2013	Valuation approach	Constant default rate (“CDR”)	Loss severity	Prepayment rate
Asset-backed securities:					
Trust preferred – predominantly banks	\$851,431	Income	Pool specific ³	100%	Pool specific ⁷
Trust preferred – predominantly insurance	273,924	Income	Pool specific ⁴	100%	5% per year
Trust preferred – individual banks	21,167	Market			
	1,146,522 ¹				
Trust preferred – real estate investment trusts	17,306	Income	Pool specific ⁵	60-100%	0% per year
Other (including ABS CDOs)	27,120	² Income	Collateral specific ⁶	70-100%	Collateral weighted average life

¹ Includes \$1,003.1 million of AFS securities and \$143.4 million of HTM securities.

² Includes \$15.4 million of AFS securities and \$11.7 million of HTM securities.

³ CDR ranges: yr 1 – 0.32% to 3.14%; yrs 2-5 – 0.50% to 1.14%; yrs 6 to maturity – 0.58% to 0.72%.

⁴ CDR ranges: yr 1 – 0.30% to 0.31%; yrs 2-5 – 0.47% to 0.48%; yrs 6 to maturity – 0.50% to 0.54%.

⁵ CDR ranges: yr 1 – 3.4% to 7.7%; yrs 2-3 – 4.5% to 5.7%; 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: 10.0% to 21.84% 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 March 31, 2013	Percentage of total fair value according to original rating			Percentage of total fair value by vintage	
		AAA	A	BBB	%	%
2001	\$44,798	4.1	% 1.1	% 0.1	%	5.3
2002	211,329	22.2	2.7	—		24.9
2003	317,416	24.7	12.5	—		37.2
2004	167,780	8.0	11.7	—		19.7
2005	16,503	1.1	0.8	—		1.9
2006	55,365	2.7	3.5	0.3		6.5
2007	38,240	4.5	—	—		4.5

\$851,431	67.3	% 32.3	% 0.4	%	100.0	%
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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:

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(In thousands)	Level 3 Instruments Three Months Ended March 31, 2013							
	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	815	63	1	5			
Dividends and other investment income						2,989		
Equity securities gains, net						2,399		
Fixed income securities gains, net	21	3,226			30			
Net impairment losses on investment securities		(9,714)						
Other noninterest expense								(71)
Other comprehensive income	725	78,650	840	8	2,651			
Purchases						959		
Sales						(733)		
Redemptions and paydowns	(275)	(19,146)		—	(2,453)	(131)	252	
Balance at March 31, 2013	\$17,043	\$1,003,102	\$17,306	\$6,524	\$15,393	\$69,706	\$(4,875)	\$(195)

(In thousands)	Level 3 Instruments Three Months Ended March 31, 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	\$62,327	\$(5,422)	\$(86)
Total net gains (losses) included in:								

Statement of income:

Accretion of purchase discount on securities available-for-sale	43	2,553	40	1	80			
Dividends and other investment income						2,665		
Equity securities gains, net						9,067		
Fixed income securities gains, (losses), net		4,552		1,888	(5,773)			
Net impairment losses on investment securities		(10,209)						
Other noninterest expense								(119)
Other comprehensive income (loss)	(40)	30,199	(2,685)	789	5,314			
Purchases						1,688		
Sales						(2,582)		
Redemptions and paydowns	(275)	(20,581)		(31,825)	(2,845)	(91)		204
Balance at March 31, 2012	\$17,109	\$935,870	\$16,000	\$40,873	\$40,322	\$73,074	\$(5,218)	\$(205)

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

(In thousands)	Three Months Ended March 31,	
	2013	2012
Dividends and other investment income	\$ 15	\$—
Fixed income securities gains, net	3,277	667

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 March 31, 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	\$—	\$—	\$8,483	\$8,483	\$—	\$—	\$23,524	\$23,524
Impaired loans	—	10,978	—	10,978	—	3,789	—	3,789
Private equity investments, carried at cost	—	—	5,242	5,242	—	—	13,520	13,520
Other real estate owned	—	34,124	—	34,124	—	58,954	—	58,954
	\$—	\$45,102	\$13,725	\$58,827	\$—	\$62,743	\$37,044	\$99,787

(In thousands)	Gains (losses) from fair value changes			
	Three Months Ended March 31,			
	2013		2012	
ASSETS				
HTM securities adjusted for OTTI	\$(403)	\$—)
Impaired loans	(883	)	(2,401)
Private equity investments, carried at cost	(820	)	(1,582)
Other real estate owned	(4,691	)	(7,332)
	\$(6,797	)	\$(11,315)

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 first quarter. The amounts of private equity investments carried at cost were \$70.8 million at March 31, 2013 and \$74.8 million at December 31, 2012. Additionally, the amounts of other noninterest-bearing investments carried at cost were \$229.4 million at March 31, 2013 and \$232.5 million at December 31, 2012, which were comprised of Federal Reserve and Federal Home Loan Bank stock.

During the three months ended March 31, we recognized net gains of \$3.9 million in 2013 and \$2.8 million in 2012 from the sale of OREO properties that had a carrying value at the time of sale of approximately \$22.0 million and

\$35.2 million, respectively. Previous to their sale in these periods, we recognized impairment on these properties of \$0.1 million in 2013 and \$0.7 million in 2012.

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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 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)	March 31, 2013		December 31, 2012	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
HTM investment securities	\$736,158	\$684,668	\$756,909	\$674,741
Loans and leases (including loans held for sale), net of allowance	37,082,197	37,104,558	37,020,811	37,024,198
Financial liabilities:				
Time deposits	2,889,903	2,911,819	2,962,931	2,988,714
Foreign deposits	1,528,745	1,528,381	1,804,060	1,803,625
Other short-term borrowings	—	—	5,409	5,421
Long-term debt (less fair value hedges)	2,345,545	2,676,392	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 licensed internal third party model described previously.

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

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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)	March 31, 2013	December 31, 2012
Commitments to extend credit	\$14,360,762	\$14,277,347
Standby letters of credit:		
Financial	804,803	774,427
Performance	175,204	190,029
Commercial letters of credit	84,773	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 March 31, 2013, the Company had recorded approximately \$9.5 million as a liability for the guarantees associated with the standby letters of credit, which consisted of \$5.5 million attributable to the RULC and \$4.0 million of deferred commitment fees.

At March 31, 2013, the Parent has guaranteed \$300 million of debt of affiliated trusts issuing trust preferred securities. However, as a result of the subsequent event reported in Note 7, the Company canceled \$285 million of this guarantee upon the redemption of the Zions Capital Trust B trust preferred securities.

At March 31, 2013, we had commitments for private equity and other noninterest-bearing investments of \$31.1 million. These obligations have no stated maturity.

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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:

two complaints 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, and

Sadlier, et. al. v. National Bank of Arizona, pending in the Superior Court for the State of Arizona, County of Maricopa;

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.

Discovery has commenced in the Barlow and Reyes cases, but not in the Sadlier or Meridian Funds cases. Motions for and against class certification have been made in the Reyes case.

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); 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 (conducted by the staff of the Salt Lake City office of the SEC); and

the practices of our subsidiary, Zions Bank, and former subsidiary, NetDeposit, LLC, relating primarily to payment processing for allegedly fraudulent telemarketers connected with the Reyes case noted previously (conducted by the United States Attorneys Office for the Eastern District of Pennsylvania).

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

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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 \$80 million in excess of amounts accrued. This estimated range of reasonably possible losses is based on information currently available as of March 31, 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.

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	
	Three Months Ended	March 31,	2013	2012	2013	2012
	2013	2012				

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Service cost	\$—	\$13	\$—	\$—	\$8	\$9
Interest cost	1,739	1,892	101	115	10	12
Expected return on plan assets	(3,027)	(2,827)				
Amortization of prior service cost (credit)			31	31	(37)	(61)
Amortization of net actuarial (gain) loss	2,157	2,345	17	(28)	(19)	(22)
Net periodic benefit cost (credit)	\$869	\$1,423	\$149	\$118	\$(38)	\$(62)

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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 March 31, 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 102 branches in Utah and 26 branches in Idaho. CB&T operates 102 branches in California. Amegy operates 84 branches in Texas. NBAZ operates 72 branches in Arizona. NSB operates 52 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.

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The following table presents selected operating segment information for the three months ended March 31, 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	\$151.5	\$167.6	\$114.6	\$117.2	\$95.4	\$95.5	\$40.5	\$42.0	\$27.4	\$31.2
Provision for loan losses	1.8	40.5	(6.8)	(2.9)	(13.8)	(23.3)	—	6.5	(0.2)	(6.7)
Net interest income after provision for loan losses	149.7	127.1	121.4	120.1	109.2	118.8	40.5	35.5	27.6	37.9
Net impairment losses on investment securities	—	—	—	—	—	—	—	—	—	—
Loss on sale of investment securities to Parent	—	—	—	(9.2)	—	—	—	—	—	—
Other noninterest income	50.3	60.3	21.6	19.1	38.4	32.4	8.2	7.7	8.9	7.9
Noninterest expense	115.0	122.0	90.3	81.2	84.2	82.0	34.2	37.8	31.7	35.3
Income (loss) before income taxes	85.0	65.4	52.7	48.8	63.4	69.2	14.5	5.4	4.8	10.5
Income tax expense (benefit)	31.0	22.9	20.8	19.1	21.3	23.3	5.4	2.1	1.6	3.6
Net income (loss)	\$54.0	\$42.5	\$31.9	\$29.7	\$42.1	\$45.9	\$9.1	\$3.3	\$3.2	\$6.9
AVERAGE BALANCE SHEET DATA										
Total assets	\$17,055	\$17,256	\$10,922	\$10,834	\$12,690	\$12,035	\$4,592	\$4,467	\$4,052	\$4,125
Cash and due from banks	350	365	175	186	321	361	69	70	86	89
Money market investments	2,507	2,256	1,327	1,080	2,183	2,229	479	616	994	948
Total securities	1,239	1,441	344	343	412	342	274	274	742	752
Total loans	12,357	12,534	8,275	8,344	8,595	7,965	3,552	3,280	2,098	2,203
Total deposits	14,743	14,704	9,309	9,113	10,291	9,473	3,894	3,709	3,593	3,568

Shareholder's equity:										
Preferred equity	280	480	162	262	251	488	180	305	139	260
Common equity	1,509	1,386	1,327	1,281	1,744	1,645	401	352	298	275
Noncontrolling interests	—	—	—	—	—	—	—	—	—	—
Total shareholder's equity	1,789	1,866	1,489	1,543	1,995	2,133	581	657	437	535

	Vectra		TCBW		Other		Consolidated Company			
	2013	2012	2013	2012	2013	2012	2013	2012		
CONDENSED INCOME STATEMENT										
Net interest income	\$25.6	\$25.7	\$6.5	\$7.1	\$(43.4)	\$(48.8)	\$418.1	\$437.5		
Provision for loan losses	(8.6)	1.0	(0.9)	0.6	(0.5)	—	(29.0)	15.7		
Net interest income after provision for loan losses	34.2	24.7	7.4	6.5	(42.9)	(48.8)	447.1	421.8		
Net impairment losses on investment securities	—	—	—	—	(10.1)	(10.2)	(10.1)	(10.2)		
Loss on sale of investment securities to Parent	—	—	—	—	—	9.2	—	—		
Other noninterest income	7.0	5.4	1.0	0.9	(4.1)	(11.7)	131.3	122.0		
Noninterest expense	25.1	24.9	4.9	4.7	11.9	4.4	397.3	392.3		
Income (loss) before income taxes	16.1	5.2	3.5	2.7	(69.0)	(65.9)	171.0	141.3		
Income tax expense (benefit)	5.8	1.6	1.2	0.9	(26.5)	(21.6)	60.6	51.9		
Net income (loss)	\$10.3	\$3.6	\$2.3	\$1.8	\$(42.5)	\$(44.3)	\$110.4	\$89.4		
AVERAGE BALANCE SHEET DATA										
Total assets	\$2,463	\$2,364	\$880	\$897	\$1,207	\$602	\$53,861	\$52,580		
Cash and due from banks	52	51	19	20	(9)	(19)	1,063	1,123		
Money market investments	46	66	181	185	395	(98)	8,112	7,282		
Total securities	184	224	101	122	519	437	3,815	3,935		
Total loans	2,092	1,933	565	555	64	68	37,598	36,882		

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Total deposits	2,107	2,027	735	747	(262) (970) 44,410	42,371
Shareholder's equity:								
Preferred equity	70	70	3	15	145	475	1,230	2,355
Common equity	227	202	82	76	(598	) (572	) 4,990	4,645
Noncontrolling interests	—	—	—	—	(4) (2) (4) (2
Total shareholder's equity	297	272	85	91	(457) (99) 6,216	6,998

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ZIONS BANCORPORATION AND SUBSIDIARIES

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

FORWARD-LOOKING INFORMATION

Statements in this Quarterly Report on Form 10-Q that are based on other than historical data are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation ("the Parent") and its subsidiaries (collectively "the Company," "Zions," "we," "our," "us");

- statements preceded by, followed by or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "projects," or similar expressions.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements involve significant risks and uncertainties and actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in Management's Discussion and Analysis. Factors that might cause such differences include, but are not limited to:

- the Company's ability to successfully execute its business plans, manage its risks, and achieve its objectives;
- changes in local, national and international political and economic conditions, including without limitation the political and economic effects of the recent economic crisis, delay of recovery from that crisis, economic conditions and fiscal imbalances in the United States and other countries, potential or actual downgrades in rating of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;
- fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- acquisitions and integration of acquired businesses;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the OCC, the Board of Governors of the Federal Reserve Board System, and the FDIC;
- the impact of executive compensation rules under the Dodd-Frank Act and banking regulations which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;
- the impact of the Dodd-Frank Act and of new international standards known as Basel III, and rules and regulations thereunder, many of which have not yet been promulgated, on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which we engage in such activities, the fees we may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;
- continuing consolidation in the financial services industry;
-

new legal claims against the Company, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;
• success in gaining regulatory approvals, when required;

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• changes in consumer spending and savings habits;
 • increased competitive challenges and expanding product and pricing pressures among financial institutions;
 • inflation and deflation;
 • technological changes and the Company's implementation of new technologies;
 • the Company's ability to develop and maintain secure and reliable information technology systems;
 • legislation or regulatory changes which adversely affect the Company's operations or business;
 • the Company's ability to comply with applicable laws and regulations;
 • changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies; and
 • costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

Except to the extent required by law, the Company specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

GLOSSARY OF ACRONYMS

ABS	Asset-Backed Security	FICO	Fair Isaac Corporation
ACL	Allowance for Credit Losses	FRB	Federal Reserve Board
AFS	Available-for-Sale	GAAP	Generally Accepted Accounting Principles
ALCO	Asset/Liability Committee	HECL	Home Equity Credit Line
ALLL	Allowance for Loan and Lease Losses	HTM	Held-to-Maturity
Amegy	Amegy Corporation	IA	Indemnification Asset
AOCI	Accumulated Other Comprehensive Income	IFRS	International Financial Reporting Standards
ASC	Accounting Standards Codification	ISDA	International Swap Dealer Association
ASU	Accounting Standards Update	LGD	Loss Given Default
ATM	Automated Teller Machine	LIBOR	London Interbank Offered Rate
bps	basis points	Lockhart	Lockhart Funding LLC
CB&T	California Bank & Trust	MCC	Model Control Committee
CDO	Collateralized Debt Obligation	MVE	Market Value of Equity
CDR	Constant Default Rate	NBAZ	National Bank of Arizona
CLTV	Combined Loan-to-Value Ratio	NPR	Notices of Proposed Rulemaking
CPR	Constant Prepayment Rate	NRSRO	Nationally Recognized Statistical Rating Organization
CRE	Commercial Real Estate	NSB	Nevada State Bank
DB	Deutsche Bank AG	OCC	Office of the Comptroller of the Currency
DBRS	Dominion Bond Rating Service	OCI	Other Comprehensive Income
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	OREO	Other Real Estate Owned
DTA	Deferred Tax Asset	OTC	Over-the-Counter
DTL	Deferred Tax Liability	OTTI	Other-Than-Temporary Impairment
FAMC	Federal Agricultural Mortgage Corporation, or "Farmer Mac"	Parent	Zions Bancorporation
FASB	Financial Accounting Standards Board	PCI	Purchased Credit-Impaired
FDIC	Federal Deposit Insurance Corporation	PD	Probability of Default
FHLB	Federal Home Loan Bank	PIK	Payment in Kind

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REIT	Real Estate Investment Trust	TCBO	The Commerce Bank of Oregon
RULC	Reserve for Unfunded Lending Commitments	TCBW	The Commerce Bank of Washington
SBA	Small Business Administration	TDR	Troubled Debt Restructuring
SBIC	Small Business Investment Company	TRS	Total Return Swap
SEC	Securities and Exchange Commission	Vectra	Vectra Bank Colorado
SOC	Securitization Oversight Committee	Zions Bank	Zions First National Bank
TARP	Troubled Asset Relief Program	ZMSC	Zions Management Services Company

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company has made no significant changes in its critical accounting policies and significant estimates from those disclosed in its 2012 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The Company reported net earnings applicable to common shareholders of \$88.3 million, or \$0.48 per diluted share for the first quarter of 2013, compared to \$25.5 million, or \$0.14 per diluted share for the same prior year period. The following changes had a favorable impact on net earnings:

- \$44.7 million decrease in the provision for loan losses;
- \$41.8 million decrease in preferred stock dividends;
- \$14.8 million decrease in total interest expense;
- \$5.8 million decrease in other real estate expense; and
- \$3.7 million increase in other service charges, commissions and fees.

The impact of these items was partially offset by the following:

- \$34.1 million decrease in total interest income;
- \$14.8 million increase in other noninterest expense;
- \$8.8 million increase in income taxes;
- \$6.3 million decrease in equity securities gains; and
- \$5.2 million increase in salaries and employee benefits.

During 2009, the Company executed a subordinated debt modification and exchange transaction. The original discount on the convertible subordinated debt was \$679 million and the remaining discount at March 31, 2013 was \$137 million. It included the following components:

- the fair value discount on the debt; and
- the value of the beneficial conversion feature which added the right of the debt holder to convert the debt into preferred stock.

The discount associated with the convertible subordinated debt is amortized to interest expense using the interest method over the remaining term of the subordinated debt (referred to herein as “discount amortization”). When holders of the convertible subordinated notes convert to preferred stock, the rate of amortization is accelerated by immediately expensing any unamortized discount associated with the converted debt (referred to herein as “accelerated discount amortization”).

Excluding the impact of these noncash expenses, income before income taxes and subordinated debt conversions for the first three months of 2013 was \$182.9 million compared to \$164.6 million for the first quarter of 2012.

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IMPACT OF CONVERTIBLE SUBORDINATED DEBT

(In millions)	Three Months Ended				
	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Income before income taxes (GAAP)	\$171.0	\$87.5	\$170.3	\$142.5	\$141.3
Convertible subordinated debt discount amortization	11.6	11.0	10.5	10.7	11.1
Accelerated convertible subordinated debt discount amortization	0.3	1.1	2.0	16.2	12.2
Income before income taxes and subordinated debt conversions (non-GAAP)	\$182.9	\$99.6	\$182.8	\$169.4	\$164.6

The impact of the conversion of subordinated debt into preferred stock is further discussed in the “Capital Management” section.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities. Taxable-equivalent net interest income is the largest portion of the Company’s revenue. For the first three months of 2013, taxable-equivalent net interest income was \$422.3 million, compared to \$442.3 million for the first quarter of 2012, and \$434.3 million for the fourth quarter of 2012. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all periods presented.

Net interest margin in 2013 vs. 2012

The net interest margin was 3.44% and 3.69% for the first three months of 2013 and 2012, respectively, and 3.47% for the fourth quarter of 2012. The decreased net interest margin for the first quarter of 2013 compared to the first quarter of 2012 resulted primarily from:

- lower yields on loans and AFS investment securities; and
- increased balance of low-yielding money market investments.

The impact of these items was partially offset by the following favorable developments:

- lower yields on deposit funding; and
- lower yields on long-term debt.

Even though the Company’s average loan portfolio, excluding FDIC-supported loans, was \$930 million higher in the first three months of 2013 than for the same prior year period, the average interest rate earned on those assets was 43 bps lower. This decline in interest income was primarily caused by (1) adjustable rate loans originated in the past resetting to lower rates due to the current repricing index being lower than the rate when the loans were originated, and (2) maturing loans, many of which had rate floors, being replaced with new loans at lower original coupons and/or lower floors compared to the rates at which loans were originated when spreads were higher.

The yield earned on AFS securities during the first quarter of 2013 was 67 bps lower than in the comparable prior year period. The interest rates for most of the securities in the AFS securities portfolio are based on variable rate indexes such as the 3-month LIBOR rate, which decreased considerably between these reporting periods. Additionally, the lower yield can also be ascribed to accelerated premium amortization on certain SBA loan securities due to increased paydowns.

During the first quarter of 2013, most of the Company's excess liquidity was invested in money market assets, primarily deposits with the Federal Reserve Bank. Average money market investments increased to 16.3% of total interest-earning assets in the first quarter of 2013 compared to 15.1% in the comparable prior year period. The average rate earned by these investments remained practically unchanged between these time periods.

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Noninterest-bearing demand deposits provided the Company with low cost funding and comprised 38.8% of average total deposits in the first three months of 2013 compared to 37.0% for the same period in 2012. Additionally, the average rate paid on interest-bearing deposits in the first quarter of 2013 decreased by 12 bps when compared to the first quarter of 2012. As a practical matter, it is becoming difficult to reduce deposit costs further as those costs approach zero.

During the first quarter of 2013, the average interest rate of long-term debt was 270 bps lower than in the same prior year period. This can be attributed to the lower accelerated amortization of convertible subordinated debt discount. Refer to the “Liquidity Management Actions” section for more information.

See “Interest Rate and Market Risk Management” for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and the associated risk.

The spread on average interest-bearing funds was 3.08%, and 3.24% for the first quarters of 2013 and 2012, respectively. The spread on average interest-bearing funds for the first three months of 2012 was affected by the same factors that had an impact on the net interest margin.

If we assume no further changes in volume of earning assets, we expect net interest income to decline further by a moderate amount, as the aforementioned factors such as loan repricing are expected to continue. Furthermore, competitive pricing pressures on loans and lower benchmark indices (such as LIBOR) have resulted in lower rates achieved on new loan production compared to those produced in the past, and that competitive pressure may intensify in part due to the current U.S. monetary policy, which has resulted in a significant increase in the money supply, but has not yet resulted in strong borrowing demand by qualified customers. Nevertheless, we believe we can offset much of the pressure on the net interest margin primarily through loan growth and debt refinancing/reduction, and have indicated that we believe net interest income is likely to remain generally stable over the next year compared to the first quarter of 2013, although the quarterly path is likely to exhibit some volatility.

The unamortized discount on convertible subordinated debt was \$137 million as of March 31, 2013, or 30.1% of the \$457 million of remaining outstanding convertible subordinated notes, and will be amortized to interest expense over the remaining life of the debt using the interest method. At December 31, 2012, the unamortized discount on the convertible subordinated debt was \$149 million, or 32.6% of the \$458 million of convertible subordinated notes that were outstanding at that time.

The Company expects to remain “asset-sensitive” with regard to interest rate risk. The current period of historically low interest rates has lasted for several years. During this time, the Company has maintained an interest rate risk position that is more asset sensitive than it was prior to the economic crisis, and more than most peers, and it expects to maintain this more asset-sensitive position for what may be a prolonged period. With interest rates at historically low levels, there is a reduced need to protect against falling interest rates. Our estimates of the Company’s actual interest rate risk position are highly dependent upon a number of assumptions regarding the repricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. In addition, our modeled projections for noninterest-bearing demand deposits, a substantial portion of our deposit balances, are particularly reliant on assumptions for which there is little historical experience. Further detail on interest rate risk is discussed in “Interest Rate Risk” on page 79 of the Company’s 2012 Annual Report on Form 10-K, and in this filing in “Interest Rate Risk.”

The following schedule summarizes the average balances, the amount of interest earned or incurred and the applicable yields for interest-earning assets and the costs of interest-bearing liabilities that generate taxable-equivalent net interest income.

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CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Unaudited)

(In thousands)	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Average balance	Amount of interest ¹	Average rate	Average balance	Amount of interest ¹	Average rate
ASSETS						
Money market investments	\$8,111,798	\$5,439	0.27 %	\$7,282,245	\$4,628	0.26 %
Securities:						
Held-to-maturity	756,739	9,536	5.11 %	799,741	10,999	5.53 %
Available-for-sale	3,035,592	18,002	2.41 %	3,093,827	23,704	3.08 %
Trading account	22,620	190	3.41 %	41,189	338	3.30 %
Total securities	3,814,951	27,728	2.95 %	3,934,757	35,041	3.58 %
Loans held for sale	204,597	1,764	3.50 %	174,902	1,502	3.45 %
Loans ² :						
Loans and leases	37,099,182	427,605	4.67 %	36,168,859	459,009	5.10 %
FDIC-supported loans	498,654	26,349	21.43 %	712,877	23,559	13.29 %
Total loans	37,597,836	453,954	4.90 %	36,881,736	482,568	5.26 %
Total interest-earning assets	49,729,182	488,885	3.99 %	48,273,640	523,739	4.36 %
Cash and due from banks	1,063,314			1,122,979		
Allowance for loan losses	(884,363)			(1,048,446)		
Goodwill	1,014,129			1,015,129		
Core deposit and other intangibles	49,069			65,837		
Other assets	2,889,354			3,150,956		
Total assets	\$53,860,685			\$52,580,095		
LIABILITIES						
Interest-bearing deposits:						
Savings and money market	\$22,735,258	10,412	0.19 %	\$21,901,941	15,364	0.28 %
Time	2,935,316	4,475	0.62 %	3,369,323	6,640	0.79 %
Foreign	1,528,665	755	0.20 %	1,408,409	1,409	0.40 %
Total interest-bearing deposits	27,199,239	15,642	0.23 %	26,679,673	23,413	0.35 %
Borrowed funds:						
Securities sold, not yet purchased	494	—	— %	22,758	191	3.38 %
Federal funds purchased and security repurchase agreements	289,918	73	0.10 %	528,662	154	0.12 %
Other short-term borrowings	3,837	19	2.01 %	48,394	434	3.61 %
Long-term debt	2,331,314	50,899	8.85 %	1,991,776	57,207	11.55 %
Total borrowed funds	2,625,563	50,991	7.88 %	2,591,590	57,986	9.00 %
Total interest-bearing liabilities	29,824,802	66,633	0.91 %	29,271,263	81,399	1.12 %
Noninterest-bearing deposits	17,211,214			15,691,499		
Other liabilities	608,206			619,231		
Total liabilities	47,644,222			45,581,993		
Shareholders' equity:						
Preferred equity	1,229,708			2,355,549		
Common equity	4,990,317			4,644,722		

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Controlling interest shareholders' equity	6,220,025			7,000,271		
Noncontrolling interests	(3,562)			(2,169)		
Total shareholders' equity	6,216,463			6,998,102		
Total liabilities and shareholders' equity	\$53,860,685			\$52,580,095		
Spread on average interest-bearing funds			3.08 %			3.24 %
Taxable-equivalent net interest income and net yield on interest-earning assets		\$422,252	3.44 %		\$442,340	3.69 %

¹ Taxable-equivalent rates used where applicable.

² Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

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Provisions for Credit Losses

The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the allowance for loan losses at an adequate level based upon the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments at an adequate level based upon the inherent risks associated with such commitments. In determining adequate levels of the allowance and reserve, we perform periodic evaluations of the Company's various loan portfolios, the levels of actual charge-offs, credit trends, and external factors. See Note 5 of the Notes to Consolidated Financial Statements and "Credit Risk Management" for more information on how we determine the appropriate level for the ALLL and the RULC.

The provision for loan losses for the first quarter of 2013 was \$(29.0) million compared to \$15.7 million for the comparable prior year period. During the past few years, the Company has experienced a significant improvement in credit quality metrics, including lower levels of criticized and classified loans and lower realized loss rates in most loan segments. However, the Company continues to exercise caution with regard to the appropriate level of the allowance for loan losses, given the slow economic recovery. At March 31, 2013, classified loans were \$1.9 billion compared to \$2.3 billion at March 31, 2012.

Net loan and lease charge-offs declined to \$18 million in the first quarter of 2013 from \$55 million in the same prior year period. In the first quarter of 2013, the annualized ratio of net loan and lease charge-offs to average loans declined to 0.19%, and is approaching pre-recessionary levels. See "Nonperforming Assets" and "Allowance and Reserve for Credit Losses" for further details.

During the first three months of 2013, the Company recorded a \$(6.4) million provision for unfunded lending commitments compared to \$(3.7) million for the same prior year period. The decreased provision was primarily caused by improvements in credit quality. During the last few years, the credit quality of unfunded loans improved more rapidly than the increase in unfunded loan commitments, allowing the Company to release previously recorded reserves. From period to period, the expense related to the reserve for unfunded lending commitments may be subject to sizeable fluctuations due to changes in the timing and volume of loan commitments, originations, and funding, as well as fluctuations in credit quality.

Although classified and nonperforming loan volumes continue to be elevated when compared to long-term historical levels, most measures of credit quality continued to show improvement during the first quarter of 2013. Barring any significant economic downturn, we expect the Company's credit costs to remain low for the next several quarters.

Noninterest Income

Noninterest income represents revenues the Company earns for products and services that have no interest rate or yield associated with them. For the first three months of 2013, noninterest income was \$121.2 million compared to \$111.8 million in the same prior year period.

Other service charges, commissions and fees, which are comprised of ATM fees, insurance commissions, bankcard merchant fees, debit and credit card interchange fees, cash management fees, lending commitment fees, syndication and servicing fees, and other miscellaneous fees increased by \$3.7 million in the first quarter of 2013 compared to the same prior year period. Most of the increase can be attributed to higher loan fees due in part to greater loan production activity, as well as higher fees earned from arranging interest rate swaps for customers. Such swaps serve the purpose of protecting customers from higher debt service burdens in a rising interest rate environment. See Note 1 of the Notes

to Consolidated Financial Statements in the Company's 2012 Annual Report on Form 10-K for information regarding the reclassification of fees.

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Capital markets and foreign exchange includes trading income, public finance fees, foreign exchange income, and other capital market related fees. In the first quarter of 2013, these fees were \$7.5 million compared to \$5.7 million in the same prior year period. The increase was primarily caused by higher foreign exchange income. In 2012, in anticipation of the adoption of the “Volcker Rule” of the Dodd-Frank Act, the Company discontinued the trading of corporate bonds.

Dividends and other investment income consists of revenue from the Company’s bank-owned life insurance program, dividends from FHLB and Federal Reserve Bank stock, and earnings from other equity investments including Federal Agricultural Mortgage Corporation and certain alternative venture investments. For the first three months of 2013, this income increased by 34.2% from the same prior year period, mainly due to increased earnings from unconsolidated subsidiaries and bank-owned life insurance.

Loan sales and servicing income increased by \$2.6 million during the first quarter of 2013, or 31.1% from the same prior year period. This increase is primarily due to larger gains from loan sales and recognition of retained servicing rights.

During the first three months of 2013, the Company recorded \$2.8 million in equity securities gains, compared to \$9.1 million in the same prior year period. The decrease is primarily attributable to reduced gains in 2013 related to SBIC investments.

Fixed income securities gains were \$3.3 million in the first quarter of 2013, compared to \$0.7 million in the same prior year period. Gains in 2013 were primarily the result of cash principal payments received on CDOs that had been previously written down.

The Company recognized net impairment losses on CDO investment securities of \$10.1 million and \$10.2 million during the first quarters of 2013 and 2012, respectively. See “Investment Securities Portfolio” for additional information.

Other noninterest income was \$6.2 and \$4.0 million for the first three months of 2013 and 2012, respectively. Most of the income recognized in the first quarter of 2013 is related to one-time recoveries on FDIC loans.

Noninterest Expense

Noninterest expense increased by 1.3% to \$397.3 million in the first quarter of 2013 compared to the same prior year period. The increase was primarily caused by higher write-downs of the FDIC indemnification asset, which is included in other noninterest expense. The impact of this increase was partially mitigated by the fact that the Company continued to make significant progress in resolving problem loans and improving the credit quality of its loan portfolio. This resulted in significantly lower other real estate and credit-related expenses, and contributed to lower FDIC premiums.

Salaries and employee benefits for the first three months of 2013 increased by 2.3% from the same period in 2012. Most of the increase can be attributed to accrued bonuses, which will be paid to employees if certain targets are met.

Other real estate expense in the first quarter of 2013 was 74.7% lower than in the comparable prior year period. The decrease is primarily due to a 43.3% reduction in OREO balances between these two periods, lower write-downs of OREO values during work-out, as well as larger net gains from OREO property sales.

Credit-related expense includes costs incurred during the foreclosure process prior to the Company obtaining title to collateral and recording an asset in OREO, as well as other out-of-pocket costs related to the management of problem loans and other assets. During the first quarters of 2013 and 2012, credit-related expense was \$10.5 million and \$13.5 million, respectively. The decrease is primarily attributable to lower legal, property tax, and collection costs due to lower levels of problem credits compared to the prior year period.

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FDIC premiums for the first quarter of 2013 decreased by 11.1% when compared to the same prior year period. This decrease resulted from the improved risk factors employed in the calculation of this assessment.

Other noninterest expense for the first quarters of 2013 and 2012 was \$78.1 million and \$63.3 million, respectively. The increase is primarily the result of larger write-downs of the FDIC indemnification asset related to loans purchased from the FDIC in 2009. These write-downs were caused primarily by early loan pay-offs on some of these loans.

We expect noninterest expense to generally remain stable in the foreseeable future, with further reduction in credit-related costs, offset by increased salary and software costs.

As of March 31, 2013, the Company had 10,300 full-time equivalent employees, compared to 10,514 at March 31, 2012.

Income Taxes

The Company's income tax expense for the first quarter of 2013 was \$60.6 million compared to \$51.9 million for the same period in 2012. The effective income tax rates, including the effects of noncontrolling interests, were 35.4% for the first three months of 2013 and 36.6% for the first three months of 2012. The tax expense rate for the first quarter of 2013 was benefited primarily by the nontaxability of certain income items. The tax expense rate for the first quarter of 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 Company had a net deferred tax asset ("DTA") balance of \$381 million at March 31, 2013, compared to \$406 million at December 31, 2012. The decrease in the DTA resulted primarily from loan charge-offs in excess of loan loss provisions, fair value adjustments related to securities, and the payout of accrued compensation. The decrease in the deferred tax liability related to premises and equipment and FDIC-supported transactions that offset some of the overall decrease in DTA. The Company did not record an additional valuation allowance as of March 31, 2013. In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. The ultimate realization of DTAs is based on the Company's ability to carry back net operating losses to prior tax periods, execute tax planning strategies that are prudent and feasible, and rely on current forecasts of future taxable income, including the reversal of deferred tax liabilities ("DTLs"), which can absorb losses generated in or carried forward to a particular tax year. After evaluating all of the factors and considering the weight of the positive evidence compared to the negative evidence, management has concluded it is more likely than not that the Company will realize the existing DTAs and that an additional valuation allowance is not needed. In addition, the Company has pursued strategies that may have the effect of mitigating the future possibility of a DTA valuation allowance.

BALANCE SHEET ANALYSIS

Interest-Earning Assets

Interest-earning assets are those assets that have interest rates or yields associated with them. One of our goals is to maintain a high level of interest-earning assets relative to total assets, while keeping nonearning assets at a minimum. Interest-earning assets consist of money market investments, securities, loans, and leases. Another goal is to maintain a higher-yielding mix of interest-earning assets, such as loans, relative to lower-yielding assets, such as money market investments and securities, while maintaining adequate levels of highly liquid assets. The current period of slow economic growth accompanied by the moderate loan demand experienced in recent quarters has made it difficult to consistently achieve these goals.

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Average interest-earning assets were \$49.7 billion for the first three months of 2013 compared to \$48.3 billion for the same prior year period. Average interest-earning assets as a percentage of total average assets for the first three months of 2013 was 92.3%, compared to 91.8% for the same prior year period.

Average total loans were \$37.6 billion and \$36.9 billion for the first three months of 2013 and 2012, respectively. The ratio of average loans as a percentage of total average assets for the first three months of 2013 was 69.8% compared to 70.1% in the corresponding prior year period.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements, increased by 11.4% to \$8.1 billion for the first three months of 2013 compared to \$7.3 billion in the same period of 2012. Average securities decreased by 3.0% from the first quarter of 2012. Increased deposits combined with moderate loan growth resulted in higher balances of excess cash available for money market investments. Average total deposits increased by 4.8% while average total loans increased by 1.9% for the first three months of 2013 when compared to the same prior year period.

Investment Securities Portfolio

We invest in securities to generate revenues for the Company; portions of the portfolio are also available as a source of liquidity. The following schedules present a profile of the Company's investment securities portfolio. The amortized cost amounts represent the Company's original cost of the investments, adjusted for related accumulated amortization or accretion of any yield adjustments, and for credit impairment losses. The estimated fair value measurement levels and methodology are discussed in detail in Note 9 of the Notes to Consolidated Financial Statements.

We have included selected credit rating information for certain of the investment securities schedules because this information is one indication of the degree of credit risk to which we are exposed, and significant declines in ratings for our investment portfolio could indicate an increased level of risk for the Company. The Dodd-Frank Act required that after July 21, 2011, federal agencies could no longer mandate the use of rating agency ratings. Final regulations and effective dates for this provision were issued in June 2012. Pursuant to these rules, during 2012, the Company began relying on its internal credit quality methodology to determine credit quality grading for regulatory reporting purposes for investment securities held by the subsidiary banks, which had the effect of improving the credit quality grades on some of the securities. The credit quality grading of securities is performed in accordance with SR 12-15, Investing in Securities without Reliance on Nationally Recognized Statistical Ratings Organization Ratings, and other related regulatory guidance. The Company considers factors including, but not limited to, the extent of over-collateralization and securities' performance under stress scenarios. Though they are based upon common factors, the credit quality grades do not directly impact either fair value or OTTI.

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INVESTMENT SECURITIES PORTFOLIO

(In millions)	March 31, 2013			December 31, 2012		
	Amortized cost	Carrying value	Estimated fair value	Amortized cost	Carrying value	Estimated fair value
Held-to-maturity						
Municipal securities	\$517	\$517	\$530	\$525	\$525	\$537
Asset-backed securities:						
Trust preferred securities – banks and insurance	255	200	143	255	213	126
Other	22	19	12	22	19	12
	794	736	685	802	757	675
Available-for-sale						
U.S. Treasury securities	54	55	55	104	105	105
U.S. Government agencies and corporations:						
Agency securities	274	277	277	109	113	113
Agency guaranteed mortgage-backed securities	373	390	390	407	425	425
Small Business Administration loan-backed securities	1,086	1,115	1,115	1,124	1,153	1,153
Municipal securities	70	71	71	75	76	76
Asset-backed securities:						
Trust preferred securities – banks and insurance	1,571	1,003	1,003	1,596	949	949
Trust preferred securities – real estate investment trusts	41	17	17	41	16	16
Auction rate securities	7	7	7	7	7	7
Other	23	19	19	26	19	19
	3,499	2,954	2,954	3,489	2,863	2,863
Mutual funds and other	336	334	334	228	228	228
	3,835	3,288	3,288	3,717	3,091	3,091
Total	\$4,629	\$4,024	\$3,973	\$4,519	\$3,848	\$3,766

The amortized cost of investment securities on March 31, 2013 increased by 2.4% from the balances at December 31, 2012. The increase from December 31, 2012, was primarily due to the purchase of Export-Import Bank securities in the first quarter of 2013 that are categorized as agency securities.

As of March 31, 2013, 11.6% of the \$3.3 billion fair value of the available-for-sale (“AFS”) securities portfolio was valued at Level 1, 56.2% was valued at Level 2, and 32.2% was valued at Level 3 under the GAAP fair value accounting valuation hierarchy. At December 31, 2012, 10.4% of the \$3.1 billion fair value of the AFS securities portfolio was valued at Level 1, 57.1% was valued at Level 2, and 32.5% was valued at Level 3. See Note 9 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

The amortized cost of AFS investment securities valued at Level 3 was \$1,656 million at March 31, 2013 and the fair value of these securities was \$1,059 million. The securities valued at Level 3 were comprised of ABS CDOs, primarily bank and insurance company trust preferred CDOs and REITs, and municipal securities. For these Level 3 securities, net pretax unrealized loss recognized in OCI at March 31, 2013 was \$597 million. As of March 31, 2013, we believe that we will receive on settlement or maturity at least the amortized cost amounts of the Level 3 AFS

securities. This expectation applies to both those securities for which OTTI has been recognized and those for which no OTTI has been recognized.

The following schedule presents the Company's CDOs according to performing tranches without credit impairment, and nonperforming tranches. These CDOs are the majority of our asset-backed securities and consist of both HTM and AFS securities.

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CDOs BY PERFORMANCE STATUS

March 31, 2013

(Amounts in millions)	No. of tranches	Par amount	Amortized cost	Carrying value	Net unrealized losses recognized in AOCI ¹	Weighted average discount rate ²	% of carrying value to par		Change
							March 31, 2013	December 31, 2012	
Performing CDOs									
Predominantly bank CDOs	27	\$774	\$694	\$560	\$(134)	5.9%	72%	66%	6%
Insurance-only CDOs	22	447	443	331	(112)	7.9%	74%	72%	2%
Other CDOs	6	51	40	37	(3)	9.6%	73%	70%	3%
Total performing CDOs	55	1,272	1,177	928	(249)	6.7%	73%	68%	5%
Nonperforming CDOs ³									
Credit impairment prior to last 12 months	19	394	275	126	(149)	10.1%	32%	30%	2%
Credit impairment during last 12 months	39	732	432	179	(253)	11.4%	24%	25%	(1)%
Total nonperforming CDOs	58	1,126	707	305	(402)	11.0%	27%	26%	1%
Total CDOs	113	\$2,398	\$1,884	\$1,233	\$(651)	8.7%	51%	49%	2%

December 31, 2012

(Amounts in millions)	No. of tranches	Par amount	Amortized cost	Carrying value	Net unrealized losses recognized in AOCI ¹	Weighted average discount rate ²	% of carrying value to par		
Performing CDOs									
Predominantly bank CDOs	28	\$811	\$727	\$538	\$(189)	7.8%	66%		
Insurance-only CDOs	22	454	449	327	(122)	8.6%	72%		
Other CDOs	6	54	43	38	(5)	9.4%	70%		
Total performing CDOs	56	1,319	1,219	903	(316)	8.1%	68%		
Nonperforming CDOs ³									
Credit impairment prior to last 12 months	18	369	251	109	(142)	10.7%	30%		

Credit impairment during last 12 months	39	732	441	181	(260)	9.6%	25%
Total nonperforming CDOs	57	1,101	692	290	(402)	10.0%	26%
Total CDOs	113	\$2,420	\$1,911	\$1,193	\$(718)	9.0%	49%

¹ Amounts presented are pretax.

² Margin over related LIBOR index.

³ Defined as either deferring current interest (“PIKing”) or OTTI; the majority are predominantly bank CDOs.

As shown in the following schedule, the Company had nine of its CDO securities, representing 20.4% of the CDO portfolio’s fair value at March 31, 2013, that were upgraded by one or more NRSROs during the first three months of 2013. These upgrades were attributed to improvements in over-collateralization ratios and deleveraging.

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BANK AND INSURANCE TRUST PREFERRED CDOs

(In millions)	Three Months Ended March 31, 2013			
	No. of securities	Par amount	Amortized cost	Fair value
Rating changes ¹				
Upgrade	9	\$320	\$283	\$229
No change	93	1,952	1,519	896
Downgrade	—	—	—	—
	102	\$2,272	\$1,802	\$1,125

¹ By any rating agency (S&P, Fitch, Moody's)

For the first quarter of 2013, the resulting average annual prepayment rate assumption for pools, which includes both large and small banks, is 14% for each year through 2015, followed by an annual prepayment rate assumption of 3% thereafter. For pools without large banks, we assume a 10% annual prepayment rate for each year through 2015 and 3% thereafter. Increased prepayment rates are generally favorable for the fair value of the most senior tranches and adverse to the fair value of the more junior tranches.

Refer to the Company's 2012 Annual Report on Form 10-K for assumption changes made during 2012.

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Valuation Sensitivity of Level 3 Bank and Insurance CDOs

The following schedule sets forth the sensitivity of the current internally modeled CDOs' fair values to changes in the most significant assumptions utilized in the model.

SENSITIVITY OF INTERNAL MODEL

(Amounts in millions)

	Held-to-maturity		Available-for-sale			
Fair value at March 31, 2013	\$ 143		\$ 978			
	Incremental	Cumulative	Incremental	Cumulative		
Currently Modeled Assumptions						
Expected collateral credit losses ¹						
Loss percentage from currently defaulted or deferring collateral ²		5.7	%		24.5	%
Projected loss percentage from currently performing collateral						
1-year	0.3	%	6.1	%	0.4	%
years 2-5	1.8	%	7.8	%	1.5	%
years 6-30	10.9	%	18.7	%	9.5	%
Discount rate ³						
Weighted average spread over LIBOR	772	bp			846	bp
Sensitivity of Modeled Assumptions						
Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral ⁴						
	25%	\$(0.8	)		\$(7.8)
	50%	(1.7	)		(15.8)
	100%	(3.5	)		(32.1)
Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral ⁴ and the immediate default of all deferring collateral with no recovery						
	25%	\$(8.1	)		\$(83.0)
	50%	(9.0	)		(90.0)
	100%	(10.7	)		(104.3)
Increase (decrease) in fair value due to increase in discount rate						
	+100 bp	\$(12.0	)		\$(60.9)
	+ 200 bp	(22.7	)		(115.0)
Increase (decrease) in fair value due to increase in Forward LIBOR Curve						
	+ 100 bp	\$7.5			\$34.3	
Increase (decrease) in fair value due to:						
increase in prepayment assumption ⁵	+1%	\$3.6			\$22.5	
increase in prepayment assumption ⁶	+2%	7.1			44.2	

¹ The Company uses an incurred credit loss model which specifies cumulative losses at the 1-year, 5-year, and 30-year points from the date of valuation. These current and projected losses are reflected in the CDO's fair value.

² Weighted average percentage of collateral that is defaulted due to bank failures, or deferring payment as allowed under the terms of the security, including a 0% recovery rate on defaulted collateral and a credit-specific probability of default on deferring collateral which ranges from 11.94% to 100%.

³The discount rate is a spread over the LIBOR forward curve at the date of valuation.

⁴ Percentage increase is applied to incremental projected loss percentages from currently performing collateral. For example, the 50% and 100% stress scenarios for AFS securities would result in cumulative 30-year losses of $41.5\% = 35.8\% + 50\%(0.4\% + 1.5\% + 9.5\%)$ and $47.2\% = 35.8\% + 100\%(0.4\% + 1.5\% + 9.5\%)$, respectively.

⁵ Prepayment rate for small banks increased to 11% per year for the first 2.75 years and to 4% per year thereafter through maturity.

⁶ Prepayment rate for small banks increased to 12% per year for the first 2.75 years and to 5% per year thereafter through maturity.

The discount rates applicable to senior CDO tranches decreased during the first quarter of 2013 consistent with observed improved discount rates for riskier assets. The result was an increase in the fair values of the CDOs.

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Bank Collateral Deferral Experience

The Company's loss and recovery experience as of March 31, 2013 (and our Level 3 modeling assumption) is essentially a 100% loss on defaults of bank collateral in CDOs, although we have, to date, received several, generally small, recoveries on defaults. Our experience with deferring bank collateral has been that 51% has defaulted, and approximately 26% remains within the allowable deferral period. This 26% is comprised of 183 deferring bank holding companies. Events in late 2012 led the Company to increase its loss assumptions on these remaining deferrals, most of which are more than half way through their allowable deferral period. We expect that future losses on these deferrals may result from actions other than bank failures – primarily bankruptcies and debt restructurings.

In contrast, a significant number of previous deferrals have resumed interest payments; 83 issuing banks, with collateral aggregating to 23% of all deferrals and 48% of all surviving deferrals, have either come current and resumed interest payments on their trust preferred securities or have announced that they intend to do so at the next payment date. Banks may come current on their trust preferred securities for one or more quarters and then re-defer. Re-deferral is occurring in seven of the 83 banks which resumed payment after their initial election to defer. Further information on the Company's valuation process is detailed in Note 9 of the Notes to Consolidated Financial Statements.

The following schedules provide additional information on the below-investment-grade rated bank and insurance trust preferred CDOs' portion of the AFS and HTM portfolios. The schedules reflect data and assumptions that are included in the calculations of fair value and OTTI. The schedules utilize the lowest rating assigned by any rating agency to identify those securities below investment grade. The schedules segment the securities by whether or not they have been determined to have OTTI, and by original ratings level to provide granularity on the seniority level of the securities and the distribution of unrealized losses. The best and worst pool-level statistic for each original ratings subgroup is presented, not the best and worst single security within the original ratings grouping. The number of issuers and the number of currently performing issuers noted in the Pool Level Performance and Projections for Below-investment-grade Rated Bank and Insurance Trust Preferred CDOs schedule are from the same security. The remaining statistics may not be from the same security.

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BANK AND INSURANCE TRUST PREFERRED CDO VALUES CURRENTLY RATED BELOW INVESTMENT GRADE – SORTED BY WHETHER OTTI HAS BEEN TAKEN AND BY ORIGINAL RATINGS

As of March 31, 2013

(Dollar amounts in millions)	Number of securities	% of portfolio	Total		Amortized cost	Estimated fair value	Unrealized loss	Credit loss		Valuation losses ¹
			Par value					Current year	Life-to-date	Life-to-date
Original ratings of securities, no OTTI recognized:										
Original AAA	23	32.9	%	\$701	\$644	\$495	\$(149)	) \$—	\$—	\$(73)
Original A	15	15.7	%	336	336	192	(144)) —	—	—
Original BBB	5	2.2	%	46	46	21	(25)) —	—	—
Total Non-OTTI		50.8	%	1,083	1,026	708	(318)	) —	—	(73)
Original ratings of securities, OTTI recognized:										
Original AAA	1	2.3	%	50	44	24	(20)	) —	(5)	(2)
Original A	46	43.7	%	933	615	266	(349)	) (9)	(321)	—
Original BBB	6	3.2	%	67	6	3	(3)	) (1)	(61)	—
Total OTTI		49.2	%	1,050	665	293	(372)	) (10)	(387)	(2)
Total noninvestment grade bank and insurance CDOs		100.0	%	\$2,133	\$1,691	\$1,001	\$(690)	) \$(10)	\$(387)	\$(75)

(In millions)	Average amount of each security held ²			
	Par value	Amortized cost	Estimated fair value	Unrealized gain (loss)
Original ratings of securities, no OTTI recognized:				
Original AAA	\$29	\$27	\$21	\$(6)
Original A	15	15	8	(7)
Original BBB	9	9	4	(5)
Original ratings of securities, OTTI recognized:				
Original AAA	50	43	24	(19)
Original A	17	11	5	(6)
Original BBB	11	1	1	—

¹ Valuation losses relate to securities purchased from Lockhart Funding LLC prior to its consolidation in June 2009.

² The Company may have more than one holding of the same security.

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POOL LEVEL PERFORMANCE AND PROJECTIONS FOR BELOW-INVESTMENT-GRADE RATED BANK AND INSURANCE TRUST PREFERRED CDOs

As of March 31, 2013

	Current lowest rating	# of issuers in collateral pool	# of issuers currently performing ¹	% of original collateral defaulted ²	% of original collateral deferring ³	Subordination as a % of performing collateral ⁴	Collateralization % ⁵	Present value of expected cash flows discounted effective rate as a % of par ⁶	Lifetime additional projected loss from performing collateral ⁷
Original Ratings of Securities, Non-OTTI:									
Original AAA									
Best	BB	22	20	2.6	4.2	79.9	664.7	100	—
Weighted average				17.2	10.1	40.1	245.6	100	10.8
Worst	CC	31	15	28.7	23.1	10.9	141.0	100	14.2
Original A									
Best	B	32	32	—	—	27.0	309.3	100	11.3
Weighted average				1.5	5.0	19.9	155.1	100	12.3
Worst	CCC	6	4	4.0	9.3	9.9	129.6	100	13.7
Original BBB									
Best	CCC	32	32	—	—	19.4	355.8	100	11.3
Weighted average				1.3	3.9	11.8	263.3	100	12.5
Worst	CC	21	18	4.0	9.3	3.6	156.0	100	13.7
Original Ratings of Securities, OTTI:									
Original AAA									
Single	CCC	43	26	19.9	18.8	24.9	197.8	100	9.7
Original A									
Best	CC	35	31	0.8	—	(0.8)	96.9	100	—
Weighted average				12.5	11.5	(19.9)	57.8	70	11.9
Worst	C	3	—	33.3	25.1	(148.5)	17.8	17	18.5
Original BBB									
Best	C	39	33	6.3	6.5	(8.3)	61.0	62	7.5
Weighted average				17.3	14.7	(43.4)	(211.8)	10	10.3
Worst	C	32	13	23.7	18.8	(81.2)	(400.7)	—	13.7

¹ Excludes both defaulted issuers and issuers that have elected to defer payment of current interest.

² Collateral is identified as defaulted when a regulator closes an issuing bank.

³ Collateral is identified as deferring when the Company becomes aware that an issuer has announced or elected to defer interest payment on trust preferred debt.

⁴ Utilizes the Company's loss assumption of 100% on defaulted collateral and the Company's issuer specific loss assumption of from 2.18% to 100% dependent on credit for each deferring piece of collateral. "Subordination" in the schedule includes the effects of seniority level within the CDOs' liability structure, the Company's loss and recovery rate assumption for deferring but not defaulted collateral and a 0% recovery rate for defaulted collateral. The numerator is all collateral less the sum of (i) 100% of the defaulted collateral, (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral and (iii) the amount of each CDO's debt which is either senior to or pari passu with our security's priority level. The denominator is all collateral less the sum of (i) 100% of

the defaulted collateral and (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral.

⁵ Utilizes the Company's loss assumption of 100% on defaulted collateral and the Company's issuer specific loss assumption ranging from 2.18% to 100% dependent on credit for each deferring piece of collateral. "Collateralization" in the schedule identifies the portion of a CDO tranche that is backed by nondefaulted collateral. The numerator is all collateral less the sum of (i) 100% of the defaulted collateral, (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral and (iii) the amount of each CDO's debt which is senior to our security's priority level. The denominator is the par amount of the tranche. Par is defined as the original par less any principal paydowns.

⁶ For OTTI securities, this statistic approximates the extent of OTTI credit losses taken.

⁷ This is the same statistic presented in the preceding sensitivity schedule and incorporated in the fair value and OTTI calculations. The statistic is the sum of incremental projected loss percentages from currently paying collateral for year one, years two through five and years six through thirty.

Certain original A-rated securities described in the previous schedule currently have negative subordination and are therefore under-collateralized, and yet are not identified as having OTTI. This is because our cash flow projections

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for these securities show negative subordination being cured prior to the securities' maturities. The collateral that backs a tranche can increase if the more senior liabilities of the CDO decrease. This occurs when collateral deterioration due to defaults and deferral triggers alternative waterfall provisions for the cash flow. A structural credit protection feature reroutes cash (interest collections) from the more junior classes of debt and income notes to pay down the principal of the most senior liabilities. As the most senior liabilities are paid down while the collateral remains unchanged (and if there are no additional unexpected defaults), the next level of tranches becomes better secured. The rerouting continues to divert cash away from the most junior classes of debt or income notes and gives better security to our tranche. Our cash flow projections predict full payment of amortized cost and interest.

Other-Than-Temporary Impairment – Investments in Debt Securities

We review investments in debt securities each quarter for the presence of OTTI. For securities where an internal income-based cash flow model or third party valuation service produces a loss-adjusted expected cash flow for the security, the presence of OTTI is identified and the amount of the credit component of OTTI is calculated by discounting this loss-adjusted cash flow at the security specific effective interest rate and comparing that value to the Company's amortized cost of the security.

We review the relevant facts and circumstances each quarter in order to assess our intentions regarding any potential sales of securities, as well as the likelihood that we would be required to sell prior to recovery of amortized cost. To date, for each security whose fair value is below amortized cost, we have determined that we do not intend to sell the security, and that it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis. We then evaluate the difference between the fair value and the amortized cost of each security and identify if any of the difference is due to credit. The credit component of the difference is recognized by writing down the amortized cost of each security found to have OTTI.

For some CDO tranches, for which we have previously recorded OTTI, expected future cash flows have remained stable or have slightly improved subsequent to the quarter that OTTI was identified and recorded. For other CDO tranches, an adverse change in the expected future cash flow has resulted in the recording of additional OTTI. In both situations, while a large difference may remain between fair value and amortized cost, the difference is not due to credit. The expected future cash flow substantiates the return of the full amortized cost. We utilize a present value technique to both identify the OTTI present in the CDO tranches and to estimate fair value. The primary drivers of unrealized losses in these CDOs are further discussed in Note 4 of the Notes to Consolidated Financial Statements.

During the first quarter of 2013, the Company recognized credit-related net impairment losses on CDOs of \$10.1 million, compared to losses of \$10.2 million in the same prior year period. Approximately \$6.2 million of the OTTI for the first quarter of 2013 was primarily due to an event of default on a CDO security. The remaining OTTI was attributable to various factors including credit deterioration of certain banks.

Exposure to State and Local Governments

The Company provides multiple products and services to state and local governments (referred together as "municipalities"), including deposit services, loans and investment banking services, and the Company invests in securities issued by the municipalities.

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The following schedule summarizes the Company's exposure to state and local municipalities:

MUNICIPALITIES

(In millions)	March 31, 2013	December 31, 2012
Loans and leases	\$484	\$494
Held-to-maturity – municipal securities	517	525
Available-for-sale – municipal securities	71	75
Available-for-sale – auction rate securities	7	7
Trading account – municipal securities	20	21
Unused commitments to extend credit	33	33
Total direct exposure to municipalities	\$1,132	\$1,155

Company policy requires that extensions of credit to municipalities be subjected to specific underwriting standards. At March 31, 2013, one municipality had \$9 million of loans that were on nonaccrual. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and approximately 93% of the outstanding credits were originated by Zions Bank, Vectra, CB&T, and Amegy. See Note 5 of the Notes to Consolidated Financial Statements for additional information about the credit quality of these municipal loans.

All municipal securities are reviewed quarterly for OTTI; see Note 4 of the Notes to Consolidated Financial Statements for more information. HTM securities consist of unrated bonds issued by small local governmental entities and are purchased through private placements, often in situations in which one of the Company's subsidiaries has acted as a financial advisor to the municipality. Prior to purchase, the issuers of municipal securities are evaluated by the Company for their creditworthiness, and some of the securities are guaranteed by third parties. Of the AFS municipal securities, 92% are rated by major credit rating agencies and were rated investment grade as of March 31, 2013. Municipal securities in the trading account are held for resale to customers. The Company also underwrites municipal bonds and sells most of them to third party investors.

European Exposure

The Company is monitoring global economic conditions and is aware of concerns over the creditworthiness of the governments of Portugal, Ireland, Italy, Greece, and Spain. The Company has not granted loans to and does not own securities issued by these governments, and does not have any material exposure to companies or individuals in those countries.

In the normal course of business, the Company may enter into transactions with subsidiaries of companies and financial institutions headquartered in Portugal, Ireland, Italy, Greece, or Spain. Such transactions may include deposits, loans, letters of credit, and derivatives, as well as foreign currency exchange agreements. As of March 31, 2013, these transactions did not present any material direct or indirect risk exposure to the Company. Among the derivative transactions, the Company has a TRS agreement with Deutsche Bank AG ("DB") with regard to certain bank and insurance trust preferred CDOs. See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding the TRS. If DB were unable to perform under the TRS, the agreement would terminate at little or no cost to Zions. A cancellation would have an immaterial impact on the balance sheet, and the Company would save approximately \$5.4 million in fees quarterly. However, if the TRS were canceled, the Company would lose the potential future risk mitigation benefits of the TRS, and regulatory risk weighted assets under the Basel I framework

would increase by approximately \$3 billion, which would reduce regulatory risk-based capital ratios by approximately 6%, e.g., a risk based ratio of 10.0% would decline to approximately 9.4%.

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Loan Portfolio

As displayed in the following schedule, commercial and industrial loans were the largest category and constituted 30.5% of the Company's loan portfolio at March 31, 2013. Construction and land development loans were 5.4% and 5.1% of total loans at March 31, 2013 and December 31, 2012, respectively. Construction and land development loans have declined significantly from a pre-recession level of 20.1% of total loans at the end of 2007.

LOAN PORTFOLIO DIVERSIFICATION

(Amounts in millions)	March 31, 2013		December 31, 2012		
	Amount	% of total loans	Amount	% of total loans	
Commercial:					
Commercial and industrial	\$11,504	30.5	% \$11,257	29.9	%
Leasing	390	1.0	% 423	1.1	%
Owner occupied	7,501	19.9	% 7,589	20.1	%
Municipal	484	1.3	% 494	1.3	%
Total commercial	19,879		19,763		
Commercial real estate:					
Construction and land development	2,039	5.4	% 1,939	5.1	%
Term	8,012	21.2	% 8,063	21.4	%
Total commercial real estate	10,051		10,002		
Consumer:					
Home equity credit line	2,125	5.6	% 2,178	5.8	%
1-4 family residential	4,408	11.7	% 4,350	11.6	%
Construction and other consumer real estate	320	0.8	% 321	0.9	%
Bankcard and other revolving plans	293	0.8	% 307	0.8	%
Other	208	0.5	% 216	0.6	%
Total consumer	7,354		7,372		
FDIC-supported loans ¹	478	1.3	% 528	1.4	%
Total net loans	\$37,762	100.0	% \$37,665	100.0	%

¹ FDIC-supported loans represent loans acquired from the FDIC subject to loss sharing agreements.

Most of the loan portfolio growth during the first three months of 2013 occurred in commercial and industrial, construction and land development, and 1-4 family residential loans. The impact of these increases was partially offset by declines in owner occupied, home equity credit lines, and term loans. The loan portfolio increased primarily at Amegy and CB&T, while balances declined primarily at Zions Bank and NBAZ.

Commercial and industrial, construction and land development, and 1-4 family residential consumer loans improved due to increased customer demand. Owner occupied loans declined mainly due to active management of the National Real Estate loan portfolio at Zions Bank. We expect construction and land development and commercial and industrial loans to grow at a moderate rate for the next several quarters. The balance of FDIC-supported loans will continue to decline primarily due to paydowns and payoffs.

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Other Noninterest-Bearing Investments

The following schedule sets forth the Company's other noninterest-bearing investments:

(In millions)	March 31, 2013	December 31, 2012
Bank-owned life insurance	\$458	\$456
Federal Home Loan Bank stock	106	109
Federal Reserve stock	123	123
SBIC investments	51	46
Non-SBIC investment funds and other	103	107
Trust preferred securities	14	14
	\$855	\$855

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits for the first three months of 2013 increased by 4.8%, compared to the same prior year period, with average interest-bearing deposits increasing by 1.9% and average noninterest-bearing deposits increasing 9.7%. The increase in noninterest-bearing deposits was largely driven by increased deposits from business customers. The average interest rate paid for interest bearing deposits was 12 bps lower during the first three months of 2013 than in the comparable prior year period.

Core deposits at March 31, 2013, which exclude time deposits larger than \$100,000 and brokered deposits, decreased by 3.6%, or \$1,611 million, from December 31, 2012. The decrease from December 31, 2012 was mainly due to decreases in noninterest-bearing demand deposits and foreign deposits. Demand and savings and money market deposits comprised 90.1% of total deposits at March 31, 2013 compared to 89.7% at December 31, 2012.

During the first quarter of 2013 and throughout 2012, the Company maintained a low level of brokered deposits with the primary purpose of keeping that funding source available in case of future needs. At March 31, 2013, total deposits included \$33 million of brokered deposits compared to \$37 million at December 31, 2012.

See "Liquidity Risk Management" for additional information on funding and borrowed funds.

RISK ELEMENTS

Since risk is inherent in substantially all of the Company's operations, management of risk is an integral part of its operations and is also a key determinant of its overall performance. We apply various strategies to reduce the risks to which the Company's operations are exposed, including credit, interest rate and market, liquidity and operational risks.

Credit Risk Management

Credit risk is the possibility of loss from the failure of a borrower, guarantor, or another obligor to fully perform under the terms of a credit-related contract. Credit risk arises primarily from the Company's lending activities, as well as from off-balance sheet credit instruments, which include unfunded lending commitments.

Centralized oversight of credit risk is provided through credit policies, credit administration, and credit examination functions at the Parent. We have structured the organization to separate the lending function from the credit

administration function, which has added strength to the control over, and the independent evaluation of, credit activities. Formal loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has a well-defined set of standards for evaluating its loan portfolio and management utilizes a comprehensive loan grading system to determine the risk potential in

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the portfolio. Furthermore, an independent internal credit examination department periodically conducts examinations of the Company's lending departments. These examinations are designed to review credit quality, adequacy of documentation, appropriate loan grading administration and compliance with lending policies, and reports thereon are submitted to management and to the Risk Oversight Committee of the Board of Directors. New, expanded, or modified products and services, as well as new lines of business, are approved by the corporate New Product Review Committee.

Both the credit policy and the credit examination functions are managed centrally. Each affiliate bank is able to be more conservative in its operations under the corporate credit policy; however, formal corporate approval must be obtained if a bank wishes to invoke a more liberal policy. Historically, there have been only a limited number of such approvals. This entire process has been designed to place an emphasis on strong underwriting standards and early detection of potential problem credits so that action plans can be developed and implemented on a timely basis to mitigate any potential losses.

Credit risk associated with counterparties to off-balance sheet credit instruments is generally limited to the hedging of interest rate risk through the use of swaps and futures. Our subsidiary banks that engage in this activity have ISDA agreements in place under which derivative transactions are entered into with major derivative dealers. Each ISDA agreement details the collateral arrangements between our subsidiaries and their counterparties. In every case, the amount of the collateral required to secure the exposed party in the derivative transaction is determined by the fair value of the derivative and the credit rating of the party with the obligation. Some of the counterparties are domiciled in Europe; however, the Company's maximum exposure that is not cash collateralized to any single counterparty was not material as of March 31, 2013.

The Company's credit risk management strategy includes diversification of its loan portfolio. The Company attempts to avoid the risk of an undue concentration of credits in a particular collateral type or with an individual customer or counterparty. The Company has adopted and adheres to concentration limits on various types of CRE lending, particularly construction and land development lending, leveraged lending, municipal lending, and lending to the energy sector. All of these limits are continually monitored and revised as necessary. These concentration limits, particularly with regard to various categories of CRE and real estate development are materially lower than they were in 2007 and 2008, just prior to the emergence of the recent economic downturn. The majority of the Company's business activity is with customers located within the geographical footprint of its banking subsidiaries.

The credit quality of the Company's loan portfolio improved during 2012 and continued to do so during the first quarter of 2013. Nonperforming lending-related assets decreased by 8.3% and 33.6% from December 31, 2012 and March 31, 2012, respectively. Gross charge-offs for the first quarter of 2013 declined to \$35 million from \$80 million in the first quarter of 2012. Net charge-offs decreased to \$18 million during the first quarter of 2013 from \$55 million in the same prior year period.

A more comprehensive discussion of our credit risk management is contained in the Company's 2012 Annual Report on Form 10-K.

FDIC-Supported Loans

The Company's loan portfolio includes loans that were acquired from failed banks in 2009: Alliance Bank, Great Basin Bank, and Vineyard Bank. These loans include nonperforming loans and other loans with characteristics indicative of a high credit risk profile. Substantially all of these loans are covered under loss sharing agreements with the FDIC for which the FDIC generally will assume 80% of the first \$275 million of credit losses for the Alliance Bank assets, \$40 million of credit losses for the Great Basin Bank assets, \$465 million of credit losses for the Vineyard Bank assets and 95% of the credit losses in excess of those amounts. The Company does not expect total losses to exceed this higher threshold because acquired loans have performed better than originally expected. FDIC-supported loans represented

1.3% of Company's total loan portfolio at March 31, 2013 compared to 1.4% at December 31, 2012. See Note 5 of the Notes to Consolidated Financial Statements for additional information about the expiration of the loss sharing agreements and valuation of these purchased loans.

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NET LOSSES COVERED BY FDIC LOSS SHARING AGREEMENT

(In millions)	Inception through March 31, 2013 Total actual net losses	Threshold
Alliance Bank	\$ 170	\$ 275
Vineyard Bank	204	465
Great Basin Bank	11	40
	\$ 385	\$ 780

Government Agency Guaranteed Loans

The Company participates in various guaranteed lending programs sponsored by U.S. government agencies, such as the Small Business Administration, Federal Housing Authority, Veterans' Administration, Export-Import Bank of the U.S., and the U.S. Department of Agriculture. As of March 31, 2013, the principal balance of these loans was \$573 million, and the guaranteed portion was approximately \$427 million. Most of these loans were guaranteed by the Small Business Administration.

The following schedule presents the composition of government agency guaranteed loans, excluding FDIC-supported loans:

GOVERNMENT GUARANTEES

(Amounts in millions)	March 31, 2013	Percent guaranteed	December 31, 2012	Percent guaranteed
Commercial	\$ 550	74%	\$ 567	74%
Commercial real estate	19	76%	20	76%
Consumer	4	100%	3	100%
Total loans excluding FDIC-supported loans	\$ 573	75%	\$ 590	75%

Commercial Lending

The following schedule provides selected information regarding lending concentrations to certain industries in our commercial lending portfolio.

COMMERCIAL LENDING BY INDUSTRY GROUP

(Amounts in millions)	March 31, 2013		December 31, 2012		
	Amount	Percent	Amount	Percent	
Real estate, rental and leasing	\$ 2,812	14.1	% \$ 2,782	14.1	%
Manufacturing	2,111	10.6	% 1,999	10.1	%
Mining, quarrying and oil and gas extraction	2,060	10.4	% 1,992	10.1	%
Retail trade	1,666	8.4	% 1,661	8.4	%
Wholesale trade	1,517	7.6	% 1,521	7.7	%
Healthcare and social assistance	1,216	6.1	% 1,205	6.1	%
Transportation and warehousing	1,047	5.3	% 1,001	5.1	%
Finance and insurance	1,018	5.1	% 1,093	5.5	%
Professional, scientific and technical services	969	4.9	% 968	4.9	%
Construction	964	4.8	% 1,016	5.1	%
Accommodation and food services	770	3.9	% 786	4.0	%
Other ¹	3,729	18.8	% 3,739	18.9	%

Total	\$19,879	100.0	%	\$19,763	100.0	%
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¹ No other industry group exceeds 5%.

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Commercial Real Estate Loans

Selected information indicative of credit quality regarding our CRE loan portfolio is presented in the following schedule.

COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION

(Amounts in millions)

Loan Type	As of Date	Collateral Location									Total	% of total CRE
		Arizona	Northern California	Southern California	Nevada	Colorado	Texas	Utah/Idaho	Washington	Other ¹		
Commercial term												
Balance outstanding	3/31/2013	\$1,186	\$606	\$2,174	\$582	\$503	\$939	\$976	\$209	\$837	\$8,012	79.7
% of loan type		14.8	% 7.6	% 27.1	% 7.3	% 6.3	% 11.7	% 12.2	% 2.6	% 10.4	% 100.0	%
Delinquency rates²:												
30-89 days	3/31/2013	0.3	% 0.7	% 0.2	% 2.0	% 0.1	% 0.4	% 0.1	% —	1.0	% 0.5	%
	12/31/2012	0.2	% 0.1	% 0.1	% 0.2	% —	0.1	% 0.2	% 1.3	% 1.6	% 0.3	%
≥ 90 days	3/31/2013	0.3	% 1.0	% 0.5	% 0.2	% 0.3	% 0.6	% —	1.2	% 2.2	% 0.6	%
	12/31/2012	0.3	% 1.3	% 0.5	% 0.8	% 0.7	% 0.5	% 0.1	% —	2.1	% 0.7	%
Accruing loans past due 90 days or more												
	3/31/2013	\$—	\$—	\$2	\$—	\$—	\$2	\$—	\$—	\$—	\$4	
	12/31/2012	—	—	—	—	—	—	—	—	—	—	
Nonaccrual loans												
	3/31/2013	9	7	18	5	4	7	5	3	44	102	
	12/31/2012	10	9	19	14	11	8	4	3	47	125	
Residential construction and land development												
Balance outstanding	3/31/2013	\$90	\$50	\$155	\$1	\$42	\$220	\$107	\$4	\$35	\$704	7.0
% of loan type		12.8	% 7.1	% 22.0	% 0.1	% 6.0	% 31.3	% 15.2	% 0.5	% 5.0	% 100.0	%
Delinquency rates²:												
30-89 days	3/31/2013	1.7	% —	0.8	% 10.9	% —	5.5	% 0.2	% —	—	2.2	%
	12/31/2012	0.6	% 1.0	% 0.4	% 10.7	% 4.9	% 7.9	% 0.2	% —	—	3.1	%
≥ 90 days	3/31/2013	0.6	% —	0.2	% —	0.8	% 5.7	% —	—	—	2.0	%
	12/31/2012	0.7	% —	0.2	% —	0.5	% 6.7	% —	—	—	2.4	%
Accruing loans past due 90 days or more												
	3/31/2013	\$—	\$—	\$—	\$—	\$—	\$1	\$—	\$—	\$—	\$1	
	12/31/2012	—	—	—	—	—	1	—	—	—	1	

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Nonaccrual loans	3/31/2013	5	—	—	—	—	23	1	—	—	29	
	12/31/2012	6	—	—	—	—	29	4	—	—	39	
Commercial construction and land development												
Balance outstanding	3/31/2013	\$98	\$51	\$226	\$85	\$98	\$438	\$283	\$18	\$38	\$1,335	13.3
% of loan type		7.3	% 3.8	% 16.9	% 6.4	% 7.3	% 32.8	% 21.2	% 1.4	% 2.9	% 100.0	%
Delinquency rates ² :												
30-89 days	3/31/2013	—	—	—	—	—	0.8	% —	—	—	0.3	%
	12/31/2012	2.4	% —	—	27.9	% 0.4	% 2.0	% 2.3	% —	7.3	% 3.1	%
≥ 90 days	3/31/2013	—	2.4	% 0.1	% —	0.1	% 4.6	% —	—	—	1.6	%
	12/31/2012	—	2.6	% 0.1	% 0.2	% —	4.0	% —	—	—	1.6	%
Accruing loans past due 90 days or more	3/31/2013	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	
	12/31/2012	—	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	3/31/2013	—	1	—	19	—	27	14	3	—	64	
	12/31/2012	—	1	—	22	—	29	14	3	—	69	
Total construction and land development	3/31/2013	\$188	\$101	\$381	\$86	\$140	\$658	\$390	\$22	\$73	\$2,039	
Total commercial real estate	3/31/2013	\$1,374	\$707	\$2,555	\$668	\$643	\$1,597	\$1,366	\$231	\$910	\$10,051	100

¹No other geography exceeds \$103 million for all three loan types.

²Delinquency rates include nonaccrual loans.

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Approximately 16% of the CRE term loans consist of mini-perm loans as of March 31, 2013. For such loans, construction has been completed and the project has stabilized to a level that supports the granting of a mini-perm loan in accordance with our underwriting standards. Mini-perm loans generally have initial maturities of three to five years. The remaining 84% of CRE loans are term loans with initial maturities generally of 15 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and include, for example, criteria related to the cash flow generated by the project, loan-to-value ratio, and occupancy rates.

Approximately 26% of the commercial construction and land development portfolio at March 31, 2012 consists of acquisition and development loans. Most of these acquisition and development loans are secured by specific retail, apartment, office, or other projects. Underwriting on commercial properties is primarily based on the economic viability of the project with heavy consideration given to the creditworthiness of the sponsor. We generally require that the owner's equity be injected prior to bank advances. Remargining requirements are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected economics of the project are primary in the underwriting, because these determine the ultimate value of the property and its ability to service debt. Therefore, in most projects (with the exception of multifamily projects) we look for substantial preleasing in our underwriting and we generally require a minimum projected stabilized debt service coverage ratio of 1.20.

Although lending for residential construction and development involves a different product type, many of the requirements previously mentioned, such as creditworthiness of the developer, up-front injection of the developer's equity, remargining requirements, and the viability of the project are also important in underwriting a residential development loan. Heavy consideration is given to market acceptance of the product, location, strength of the developer, and the ability of the developer to stay within budget. Progress inspections by qualified independent inspectors are routinely performed before disbursements are made.

Real estate appraisals are ordered and validated independently of the credit officer and the borrower, generally by each bank's appraisal review function, which is staffed by certified appraisers. In some cases, reports from automated valuation services are used. Appraisals are ordered from outside appraisers at the inception, renewal or, for CRE loans, upon the occurrence of any event causing a downgrade to a "criticized" or "classified" designation. The frequency for obtaining updated appraisals for these adversely graded credits is increased when declining market conditions exist. Advance rates, on an "as completed basis," will vary based on the viability of the project and the creditworthiness of the sponsor, but the Company's guidelines generally limit advances to 50% for raw land, 65% for land development, 65% for finished commercial lots, 75% for finished residential lots, 80% for pre-sold homes, 75% for models and spec homes, and 75% for commercial properties. Exceptions may be granted on a case-by-case basis.

Loan agreements require regular financial information on the project and the sponsor in addition to lease schedules, rent rolls and, on construction projects, independent progress inspection reports. The receipt of this financial information is monitored and calculations are made to determine adherence to the covenants set forth in the loan agreement. Additionally, loan-by-loan reviews of pass grade loans for all commercial and residential construction and land development loans are performed semiannually at Amegy, CB&T, NBAZ, NSB, Vectra and Zions Bank. TCBO and TCBW perform such reviews annually.

Interest reserves are generally established as a loan disbursement budget item for real estate construction or development loans. We generally require borrowers to put their equity into the project prior to loan disbursements on

these loans. This enables the bank to ensure the availability of equity to complete the project. The Company's practice is to monitor the construction, sales and/or leasing progress to determine whether or not the project remains viable. If, at any time during the life of the credit, the project is determined not to be viable (including the adequacy of the remaining interest reserves), the bank takes appropriate action to protect its collateral position via negotiation and/or legal action as deemed necessary. At March 31, 2013 and 2012 and Zions' affiliates had 456 and 351 loans with an outstanding balance of \$554 million and \$495 million where available interest reserves amounted to \$84

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million and \$42 million, respectively. In instances where projects have been determined not to be viable, the interest reserves and other disbursements have been frozen, as appropriate.

We have not been involved to any meaningful extent with insurance arrangements, credit derivatives, or any other default agreements as a mitigation strategy for CRE loans. However, we do make use of personal or other guarantees as risk mitigation strategies.

CRE loans are sometimes modified to increase the likelihood of collecting the maximum possible amount of the Company's investment in the loan. In general, the existence of a guarantee that improves the likelihood of repayment is taken into consideration when analyzing a loan for impairment. If the support of the guarantor is quantifiable and documented, it is included in the potential cash flows and liquidity available for debt repayment and our impairment methodology takes into consideration this repayment source.

Additionally, when we modify or extend a loan, we give consideration to whether the borrower is in financial difficulty, and whether a concession has been granted. In determining if an interest rate concession has been granted, we consider whether the interest rate on the modified loan is equivalent to current market rates for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may indicate that a concession was granted and impairment exists. However, if additional collateral is obtained or if a strong guarantor exists who is believed to be able and willing to support the loan on an extended basis, we also consider the nature and amount of additional collateral, guarantees, and paydowns in the ultimate determination of whether a concession has been granted.

We obtain and consider updated financial information for the guarantor as part of our determination to extend a loan. The quality and frequency of financial reporting collected and analyzed varies depending on the contractual requirements for reporting, the size of the transaction, and the strength of the guarantor. Complete underwriting of the guarantor includes, but is not limited to, an analysis of the guarantor's current financial statements, leverage, liquidity, global cash flow, global debt service coverage, contingent liabilities, etc. The assessment also includes a qualitative analysis of the guarantor's willingness to perform in the event of a problem and demonstrated history of performing in similar situations. Additional analysis may include personal financial statements, tax returns, liquidity (brokerage) confirmations and other reports, as appropriate. All personal financial statements of customers entering into new relationships with the applicable bank must not be more than 60 days old on the date the transaction is approved. Personal financial statements that are required for existing customers must be no more than 15 months old. Evaluations of the financial strength of the guarantor are performed at least annually.

A qualitative assessment is performed on a case-by-case basis to evaluate the guarantor's experience, performance track record, reputation, performance of other related projects with which we are familiar, and willingness to work with us. We also utilize market information sources, rating and scoring services in our assessment. This qualitative analysis coupled with a documented quantitative ability to support the loan may result in a higher-quality internal loan grade, which may reduce the level of allowance the Company estimates. Previous documentation of the guarantor's financial ability to support the loan is discounted if, at any point in time, there is any indication of a lack of willingness by the guarantor to support the loan.

In the event of default, we evaluate the pursuit of any and all appropriate potential sources of repayment, which may come from multiple sources, including the guarantee. A number of factors are considered when deciding whether or not to pursue a guarantor, including, but not limited to, the value and liquidity of other sources of repayment

(collateral), the financial strength and liquidity of the guarantor, possible statutory limitations (e.g., single action rule on real estate) and the overall cost of pursuing a guarantee compared to the ultimate amount we may be able to recover. In other instances, the guarantor may voluntarily support a loan without any formal pursuit of remedies.

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Consumer Loans

The Company has mainly been an originator of first and second mortgages, generally considered to be of prime quality. Its practice historically has been to sell “conforming” fixed rate loans to third parties, including Fannie Mae and Freddie Mac, for which it makes representations and warranties that the loans meet certain underwriting and collateral documentation standards. It has also been the Company’s practice historically to hold variable rate loans in its portfolio. The Company estimates that it does not have any material financial risk as a result of either its foreclosure practices or loan “put-backs” by Fannie Mae or Freddie Mac, and has not established any reserves related to these items.

The Company has a portfolio of \$327 million of stated income mortgage loans with generally high FICO® scores at origination, including “one-time close” loans to finance the construction of homes, which convert into permanent jumbo mortgages. As of March 31, 2013, approximately \$29 million of these loans had refreshed FICO® scores of less than 620. These totals exclude held-for-sale loans. Stated income loans account for approximately \$0.1 million, or 5%, of our net credit losses in 1-4 family residential first mortgage loans during the first quarter of 2013. Most of these credit losses were incurred by NBAZ, while ZFNB had net recoveries on loans that had been previously written off.

The Company is engaged in home equity credit line (“HECL”) lending. At March 31, 2013, the Company’s HECL portfolio totaled \$2.1 billion, including FDIC-supported loans. Approximately \$1.1 billion of the portfolio is secured by first deeds of trust, while the remaining \$1.0 billion is secured by junior liens. The outstanding balances and commitments by origination year for the junior lien HECLs are presented in the following schedule:

JR. LIEN HECLs – OUTSTANDING BALANCES AND TOTAL COMMITMENTS

(In millions) Year of origination	March 31, 2013		December 31, 2012	
	Outstanding balance	Total commitments	Outstanding balance	Total commitments
2013	\$26	\$62		
2012	118	233	\$117	\$234
2011	89	171	97	182
2010	63	114	68	122
2009	61	121	65	125
2008	146	236	158	250
2007	180	286	189	295
2006 and prior	389	873	419	910
Total	\$1,072	\$2,096	\$1,113	\$2,118

Approximately 99% of the Company’s HECL portfolio is still in the draw period, and approximately 51% is scheduled to begin amortizing within the next five years; however, most of them are expected to be renewed for a second 10-year period after a satisfactory review of the borrower’s credit history and ability to repay the loan. Of the total home equity credit line portfolio, including FDIC-supported loans, 0.25% was 90 or more days past due at March 31, 2013 as compared to 0.27% and 0.51% at December 31, 2012 and March 31, 2012, respectively. During the first three months of 2013, the Company did not modify any home equity credit lines. The annualized credit losses for the HECL portfolio were 40 bps and 77 bps for the first quarters of 2013 and 2012, respectively.

As of March 31, 2013, loans representing approximately 13% of the outstanding balance in the HECL portfolio were estimated to have combined loan-to-value ratios (“CLTV”) above 100%. An estimated CLTV ratio is the ratio of our

loan plus any prior lien amounts divided by the estimated current collateral value. The estimated current collateral value is based on projecting values forward from the most recent valuation of the underlying collateral using home price indices at the metropolitan area level. Generally, a valuation of collateral is performed at origination. For junior lien HECLs, the estimated current balance of prior liens is added to the numerator in the calculation of CLTV. Additional detail for the current CLTV is shown in the following schedule:

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HECL PORTFOLIO BY COMBINED LOAN-TO-VALUE

CLTV	Percentage of HECL portfolio		December 31,	
	March 31, 2013		2012	
>100%	13	%	14	%
90-100%	8	%	9	%
80-89%	13	%	13	%
< 80%	66	%	64	%
	100	%	100	%

At origination, underwriting standards for the HECL portfolio generally include a maximum 80% CLTV with high credit scores. Credit bureau data, credit scores, and estimated CLTV are refreshed on a quarterly basis, and are used to monitor and manage accounts, including amounts available under the lines of credit. The allowance for loan losses is determined through the use of roll rate models, and first lien HECLs are modeled separately from junior lien HECLs. See Note 5 of the Notes to Consolidated Financial Statements for additional information on the allowance.

Nonperforming Assets

Nonperforming lending-related assets as a percentage of loans and leases and OREO decreased to 1.80% at March 31, 2013, compared to 1.96% at December 31, 2012 and 2.78% at March 31, 2012.

Total nonaccrual loans, excluding FDIC-supported loans, at March 31, 2013 decreased by \$42 million from December 31, 2012. The decrease is primarily due to a \$23 million decrease in commercial real estate term loans, a \$15 million decrease in construction and land development, and an \$11 million decrease in owner occupied loans. The largest total decreases in nonaccrual loans occurred at Zions Bank, Amegy, NSB, and Vectra.

The balance of nonaccrual loans can decrease due to pay-downs, charge-offs, and the return of loans to accrual status under certain conditions. If a nonaccrual loan is refinanced or restructured, the new note is immediately placed on nonaccrual. If a restructured loan performs under the new terms for a period of six months, the loan can be considered for return to accrual status. See "Restructured Loans" for more information. Company policy does not allow for the conversion of nonaccrual construction and land development loans to CRE term loans. See Note 5 of the Notes to Consolidated Financial Statements for more information.

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The following schedule sets forth the Company's nonperforming lending-related assets:

NONPERFORMING LENDING-RELATED ASSETS

(Amounts in millions)	March 31, 2013	December 31, 2012		
Nonaccrual loans	\$589	\$631		
Other real estate owned	81	90		
Nonperforming lending-related assets, excluding FDIC-supported assets	670	721		
FDIC-supported nonaccrual loans	5	17		
FDIC-supported other real estate owned	9	8		
FDIC-supported nonperforming lending-related assets	14	25		
Total nonperforming lending-related assets	\$684	\$746		
Ratio of nonperforming lending-related assets to net loans and leases ¹ and other real estate owned	1.80	% 1.96		%
Accruing loans past due 90 days or more, excluding FDIC-supported loans	\$13	\$10		
FDIC-supported loans past due 90 days or more	47	52		
Ratio of accruing loans past due 90 days or more to net loans and leases ¹	0.16	% 0.16		%
Nonaccrual loans and accruing loans past due 90 days or more	\$654	\$710		
Ratio of nonaccrual loans and accruing loans past due 90 days or more to net loans and leases ¹	1.72	% 1.87		%
Accruing loans past due 30 – 89 days, excluding FDIC-supported loans	\$156	\$185		
FDIC-supported loans past due 30 – 89 days	11	12		
Classified loans, excluding FDIC-supported loans	1,737	1,767		

¹ Includes loans held for sale.

Restructured Loans

TDRs are loans that have been modified to accommodate a borrower that is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider. Commercial loans may be modified to provide the borrower more time to complete the project, to achieve a higher lease-up percentage, to sell the property, or for other reasons. Consumer loan TDRs represent loan modifications in which a concession has been granted to the borrower who is unable to refinance the loan with another lender, or who is experiencing economic hardship. Such consumer loan TDRs may include first-lien residential mortgage loans and home equity loans.

For certain TDRs, we split the loan into two new notes – an “A” note and a “B” note. The A note is structured to comply with our current lending standards at current market rates, and is tailored to suit the customer's ability to make timely interest and principal payments. The B note includes the granting of the concession to the borrower and varies by situation. We may defer principal and interest payments until the A note has been paid in full. At the time of restructuring, the A note is identified and classified as a TDR. The B note is charged off, but the obligation is not forgiven to the borrower, and any payments collected on the B notes are accounted for as recoveries. The outstanding carrying value of loans restructured using the A/B note strategy was approximately \$153 million at March 31, 2013, and \$160 million at December 31, 2012.

If the restructured loan performs for at least six months according to the modified terms, and an analysis of the customer's financial condition indicates that the Company is reasonably assured of repayment of the modified principal

and interest, the loan may be returned to accrual status. The borrower's payment performance prior to and following the restructuring is taken into account in determining whether or not a loan should be returned to accrual status.

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ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS

(In millions)	March 31, 2013	December 31, 2012	March 31, 2012
Restructured loans – accruing	\$416	\$407	\$401
Restructured loans – nonaccruing	194	216	277
Total	\$610	\$623	\$678

In the periods following the calendar year in which a loan was restructured, a loan may no longer be reported as a TDR if it is on accrual, is in compliance with its modified terms, and yields a market rate (as determined and documented at the time of the modification or restructure). Company policy requires that the removal of TDR status be approved at the same management level that approves the upgrading of a loan's classification. See Note 5 of the Notes to Consolidated Financial Statements for additional information regarding TDRs.

TROUBLED DEBT RESTRUCTURED LOANS ROLLFORWARD

(In millions)	Three Months Ended March 31,	
	2013	2012
Balance at beginning of period	\$623	\$744
New identified TDRs and principal increases	59	88
Payments and payoffs	(53)	(67)
Charge-offs	(3)	(9)
No longer reported as TDRs	(3)	(62)
Sales and other	(13)	(16)
Balance at end of period	\$610	\$678

Other Nonperforming Assets

In addition to the lending-related nonperforming assets, the Company had \$180 million in fair value and \$455 million in amortized cost of investments in debt securities (primarily bank and insurance company CDOs) that were on nonaccrual status at March 31, 2013 compared to \$187 million and \$471 million at December 31, 2012, and \$143 million and \$584 million at March 31, 2012, respectively.

Allowance and Reserve for Credit Losses

In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, the Company's loan and lease portfolio is broken into segments based on loan type.

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The following schedule shows the changes in the allowance for loan losses and a summary of loan loss experience.

SUMMARY OF LOAN LOSS EXPERIENCE

(Amounts in millions)	Three Months Ended March 31, 2013	Twelve Months Ended December 31, 2012	Three Months Ended March 31, 2012		
Loans and leases outstanding (net of unearned income)	\$37,762	\$37,665	\$36,686		
Average loans and leases outstanding (net of unearned income)	\$37,598	\$37,037	\$36,882		
Allowance for loan losses:					
Balance at beginning of period	\$896	\$1,052	\$1,052		
Provision charged against earnings	(29)	14	16		
Adjustment for FDIC-supported loans	(7)	(15)	(1)		
Charge-offs:					
Commercial	(18)	(121)	(35)		
Commercial real estate	(7)	(85)	(28)		
Consumer	(10)	(61)	(17)		
Total	(35)	(267)	(80)		
Recoveries:					
Commercial	8	56	10		
Commercial real estate	5	42	12		
Consumer	4	14	3		
Total	17	112	25		
Net loan and lease charge-offs	(18)	(155)	(55)		
Balance at end of period	\$842	\$896	\$1,012		
Ratio of annualized net charge-offs to average loans and leases	0.19	% 0.42	% 0.59		%
Ratio of allowance for loan losses to net loans and leases, at period end	2.23	% 2.38	% 2.76		%
Ratio of allowance for loan losses to nonperforming loans, at period end	141.68	% 138.25	% 116.01		%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, at period end	128.70	% 126.22	% 102.48		%

The total ALLL declined during the first quarter of 2013 due to the positive credit trends experienced in our loan portfolio segments and to somewhat improving economic conditions in some of our markets. See Note 5 of the Notes to Consolidated Financial Statements for additional information regarding positive and negative credit trends experienced in each portfolio segment.

The quantitatively derived portion of the ALLL declined in all portfolio segments and major geographic areas of our business during the first quarter of 2013. Recent and historic periods are weighted the same when determining historical loss rates. The portion of the ALLL related to qualitative and environmental factors remained relatively unchanged, both in the aggregate and across each portfolio segment, resulting from slowing credit quality improvements and continued economic uncertainty in our markets. Improvements in credit quality during the first

quarter of 2013 were most significant in the term commercial real estate, construction and land development, and owner occupied loan classes where nonaccrual loans declined. Nonaccrual loans increased in the commercial and industrial loan class, reversing improvements achieved in the fourth quarter of 2012. Credit trends experienced in the FDIC-supported portfolio are described in Note 5 of the Notes to Consolidated Financial Statements.

The reserve for unfunded lending commitments represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in the Company's balance sheet and any related increases or decreases in the reserve are shown separately in the statement of income. The reserve

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decreased by \$6.4 million from December 31, 2012, and increased by \$1.7 million from March 31, 2012. The balance of the reserve fluctuates based on the amount and credit quality of the unfunded lending commitments. See Note 5 of the Notes to Consolidated Financial Statements for additional information related to the allowance for credit losses.

Interest Rate and Market Risk Management

Interest rate and market risk are managed centrally. Interest rate risk is the potential for reduced net interest income and other rate sensitive income resulting from adverse changes in the level of interest rates. Market risk is the potential for loss arising from adverse changes in the fair value of fixed income securities, equity securities, other earning assets, and derivative financial instruments as a result of changes in interest rates or other factors. As a financial institution that engages in transactions involving an array of financial products, the Company is exposed to both interest rate risk and market risk.

The Company's Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Company, including interest rate and market risk management. The Boards of Directors of the Company's subsidiary banks are also required to review and approve these policies. In addition, the Board establishes and periodically revises policy limits and reviews limit exceptions reported by management. The Board has established the Asset/Liability Committee ("ALCO"), consisting of members of management, to which it has delegated the responsibility of managing interest rate and market risk for the Company.

Interest Rate Risk

Interest rate risk is one of the most significant risks to which the Company is regularly exposed. In general, our goal in managing interest rate risk is to have the net interest margin increase slightly in a rising interest rate environment. We refer to this goal as being slightly "asset-sensitive." This approach is based on our belief that in a rising interest rate environment, the market cost of equity, or implied rate at which future earnings are discounted, would also tend to rise. The asset sensitivity of the Company's balance sheet increased during the quarter, primarily due to deposit assumption changes discussed below.

Due to the low level of rates and the natural lower bound of zero for market indices, there is limited sensitivity to falling rates at the current time. Our models indicate that decreasing market index rates by 200 bps, with a lower bound of 0%, would decrease rate sensitive income by approximately 2% over a one-year period in the income simulation when compared to a scenario of no change in interest rates. However, if interest rates remain at their current historically low levels, given the Company's asset sensitivity, it expects its net interest margin to be under continuing modest pressure assuming a stable balance sheet. If interest rates remain stable, this pressure may lead to a reduction in net interest income, unless its impact is offset by sufficient loan growth.

We attempt to minimize the impact of changing interest rates on net interest income primarily through the use of interest rate floors on variable rate loans, interest rate swaps, interest rate futures, and by avoiding large exposures to long-term fixed rate interest-earning assets that have significant negative convexity. Our earning assets are largely tied to the shorter end of the interest rate curve. The prime lending rate and the LIBOR curves are the primary indices used for pricing the Company's loans. The interest rates paid on deposit accounts are set by individual banks so as to be competitive in each local market.

We monitor interest rate risk through the use of two complementary measurement methods: Market Value of Equity ("MVE") and income simulation. In the MVE method, we measure the expected changes in the fair values of equity in response to changes in interest rates. In the income simulation method, we analyze the expected changes in income in

response to changes in interest rates.

MVE is calculated as the fair value of all assets and derivative instruments minus the fair value of liabilities. We report changes in the dollar amount of MVE for parallel shifts in interest rates.

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The Company's policy is generally to limit declines in MVE to 3% per 100 bps movement in interest rates in either direction. Due to embedded optionality and asymmetric rate risk, changes in MVE can be useful in quantifying risks not apparent for small rate changes. Examples of such risks may include out-of-the-money caps on loans which have little effect for small rate movements but may become important if larger rate shocks were to occur, or substantial prepayment deceleration for low rate mortgages in a higher rate environment.

Income simulation is an estimate of the net interest income and total rate sensitive income that would be recognized under different rate environments. Net interest income and total rate sensitive income are measured under several parallel and nonparallel interest rate environments and deposit repricing assumptions, taking into account an estimate of the possible exercise of options within the portfolio. For income simulation, Company policy requires that interest sensitive income from a static balance sheet be limited to a decline of no more than 10% during one year if rates were to immediately rise or fall in parallel by 200 bps.

Each of these measurement methods requires that we assess a number of variables and make various assumptions in managing the Company's exposure to changes in interest rates. The assessments address loan and security prepayments, early deposit withdrawals, and other embedded options and noncontrollable events. As a result of uncertainty about the maturity and repricing characteristics of both deposits and loans, the Company estimates ranges of MVE and income simulation under a variety of assumptions and scenarios. The Company's interest rate risk position changes as the interest rate environment changes and is actively managed to maintain an asset-sensitive position. However, positions at the end of any period may not be reflective of the Company's position in any subsequent period.

The estimated MVE and income simulation results are highly sensitive to the assumptions used for deposits that do not have specific maturities, such as checking, savings, and money market accounts, and also to prepayment assumptions used for loans with prepayment options. Given the uncertainty of these estimates, we view both the MVE and the income simulation results as falling within a wide range of possibilities.

As of the dates indicated, the following schedule shows the Company's percentage change in interest rate sensitive income, based on a static balance sheet, in the first year after the rate change if interest rates were to sustain immediate parallel changes ranging from -100 bps to +300 bps. The Company estimates interest rate risk with two sets of deposit repricing scenarios.

The first scenario assumes that administered-rate deposits (money market, interest-earning checking, and savings) reprice at a faster speed in response to changes in interest rates. Additionally, interest rates cannot decline below zero. At both March 31, 2013 and December 31, 2012, interest rates were at such a low level that repricing scenarios assuming -100 bps rate shocks produced negative results.

The second scenario assumes that those deposits reprice at a slower speed. For larger rate shocks, e.g., +300 bps, models reflecting consumer behavior in regards to both loan prepayments and deposit run-off are inherently prone to increased model uncertainty.

INCOME SIMULATION – CHANGE IN INTEREST RATE SENSITIVE INCOME

As of March 31, 2013

Repricing scenario -100 bps +100 bps +200 bps +300 bps

Fast	(2.4)%	6.7	%	14.5	%	22.6	%
Slow	(2.6)%	7.9	%	17.0	%	26.4	%

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As of December 31, 2012

Repricing scenario -100 bps +100 bps +200 bps +300 bps

Fast	(1.8)%	3.9	% 9.8	% 16.7	%
Slow	(2.0)%	5.0	% 12.1	% 20.2	%

The following schedule includes changes in the MVE from -100 bps to +300 bps parallel rate moves for both “fast” and “slow” scenarios.

CHANGES IN MARKET VALUE OF EQUITY

As of March 31, 2013

Repricing scenario -100 bps +100 bps +200 bps +300 bps

Fast	(1.1)%	2.6	% 5.6	% 8.7	%
Slow	(4.5)%	5.9	% 12.0	% 17.9	%

As of December 31, 2012

Repricing scenario -100 bps +100 bps +200 bps +300 bps

Fast	0.7	% 1.7	% 3.9	% 6.3	%
Slow	(2.8)%	4.9	% 10.6	% 16.0	%

During the first quarter of 2013, changes in interest rate sensitivity were primarily driven by changes in assumptions for demand deposits. Since the introduction of the Transaction Account Guarantee (“TAG”) in 2008, the Company has designated a portion of the noninterest-bearing demand deposit balances as ratings and rate-sensitive, based on the assumption that these deposits would behave differently upon the expiration of the TAG program on December 31, 2012 and in a changing interest rate environment from deposits collected for reasons other than the TAG program and FDIC-insured deposits up to \$250,000 (“stable deposits”). Upon the expiration of the TAG program, we believe that only a modest portion of such deposits were withdrawn, approximately \$1 billion, but we still believe that a “rate sensitive” portion of our demand deposit balances may behave differently than the more “stable” portion. For modeling purposes, the rate-sensitive deposits were assigned a six-month maturity, which had impacts on both the MVE and income simulation results. The Company continues to anticipate that a portion of the rate-sensitive deposits will be more sensitive to future rate changes than stable deposits because they were largely collected during a near zero interest rate environment. However, the methodology for determining which balances are rate-sensitive was modified during the first quarter of 2013 in part to recognize that the declines in balances following the expiration of the TAG program were less than anticipated.

As a result of the methodology change, the amount of noninterest-bearing demand deposits designated as rate-sensitive was reduced from approximately \$8.5 billion at December 31, 2012 to \$5.9 billion at March 31, 2013. Additionally, though not covered by the TAG program, a portion of the interest-bearing checking account balances has also been designated as rate-sensitive to take into account the fact that some of these balances were collected during the unprecedented low rate environment that we have experienced over the last several years and that continues to exist. The methodology change reduced rate-sensitive interest-bearing checking deposits from approximately \$1.6 billion at December 31, 2012 to \$1.4 billion at March 31, 2013. The Company continues to believe that, in the aggregate, both interest-bearing and noninterest-bearing transaction account balances accumulated during the near

zero rate environment will behave differently than stable deposit balances, and continues to closely analyze and adjust the impact of these balances on both the MVE and income simulation measures of asset sensitivity.

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Market Risk – Fixed Income

The Company engages in the underwriting and trading of municipal securities. This trading activity exposes the Company to a risk of loss arising from adverse changes in the prices of these fixed income securities.

The Company is exposed to market risk through changes in fair value. The Company is also exposed to market risk for interest rate swaps used to hedge interest rate risk. Changes in the fair value of AFS securities and in interest rate swaps that qualify as cash flow hedges are included in AOCI for each financial reporting period. During the first quarter of 2013, the after-tax increase in AOCI attributable to AFS and HTM securities was \$42 million compared to \$24 million in the same prior year period. The decrease attributable to cash flow interest rate swaps for the first quarters of 2013 and 2012 was \$1 million and \$3 million, respectively. If any of the AFS or HTM securities becomes other-than-temporarily impaired, the credit impairment is charged to operations. See “Investment Securities Portfolio” for additional information on OTTI.

Market Risk – Equity Investments

Through its equity investment activities, the Company owns equity securities that are publicly traded. In addition, the Company owns equity securities in companies and governmental entities, e.g., Federal Reserve Bank and Federal Home Loan Banks, that are not publicly traded, and which are accounted for under cost, fair value, equity, or full consolidation methods of accounting, depending upon the Company’s ownership position and degree of involvement in influencing the investees’ affairs. Regardless of the accounting method, the value of the Company’s investment is subject to fluctuation. Since the fair value of these securities may fall below the Company’s investment costs, the Company is exposed to the possibility of loss. Equity investments in private and public companies are approved, monitored and evaluated by the Company’s Equity Investment Committee.

The Company holds investments in pre-public companies through various venture capital funds. Additionally, Amegy has an alternative investments portfolio. These investments are primarily directed towards equity buyout and mezzanine funds with a key strategy of deriving ancillary commercial banking business from the portfolio companies. Early stage venture capital funds were generally not a part of the strategy since the underlying companies were typically not creditworthy.

These private equity investments are subject to the provisions of the Dodd-Frank Act that prohibit bank holding company or bank investment in such funds, with limited exceptions. The Company is allowed to honor unfunded commitments made prior to the adoption of the Dodd-Frank Act, but is not allowed to make any new commitments to invest in private equity, except for SBIC funds. Therefore, the Company’s earnings from these investments, and the potential volatility of these earnings, are expected to decline over the next several years and will ultimately cease.

A more comprehensive discussion of the Company’s interest rate and market risk management is contained in the Company’s 2012 Annual Report on Form 10-K.

Liquidity Risk Management

Liquidity risk is the possibility that the Company’s cash flows may not be adequate to fund its ongoing operations and meet its commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage the Company’s liquidity to provide adequate funds to meet its anticipated financial and contractual obligations, including withdrawals by depositors, debt and capital service requirements and lease obligations, as well as to fund customers’ needs for credit. The management of liquidity and funding is performed

centrally for both the Parent and its subsidiary banks.

Consolidated cash and interest-bearing deposits held as investments at the Parent and its subsidiaries decreased to \$6.7 billion at March 31, 2013 from \$7.8 billion at December 31, 2012. The decrease during the first three months of 2013 resulted primarily from (1) a decrease in deposits, (2) net loan originations, and (3) an increase in

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investment securities. These decreases were partially offset by an increase in cash due to (1) a net decrease in security resell agreements, (2) net cash provided by operating activities, and (3) the issuance of preferred stock.

Parent Company Liquidity

The Parent's cash requirements consist primarily of debt service, investments in and advances to subsidiaries, operating expenses, income taxes, and dividends to preferred and common shareholders. The Parent's cash needs are usually met through dividends from its subsidiaries, interest and investment income, subsidiaries' proportionate share of current income taxes, equity contributed through the exercise of stock options, and long-term debt and equity issuances.

Cash and interest-bearing deposits held as investments at the Parent increased to \$108 million at March 31, 2013 from \$78 million at December 31, 2012. The increase in cash from December 31, 2012 was primarily a result of (1) the issuance of preferred stock, (2) dividends received from its subsidiaries, and (3) the redemption of subsidiary preferred stock issued to the Parent. These increases were partially offset by the decrease in cash resulting from an increased investment in security resell agreements and the payment of common and preferred dividends.

During the first three months of 2013, the Parent received common dividends totaling \$109.6 million and preferred dividends totaling \$10.8 million from its subsidiary banks. Also, the Parent received cash of \$25.0 million from NSB as a result of the redemption of preferred stock issued to the Parent. The dividends that our subsidiary banks can pay to the Parent are restricted by current and historical earning levels, retained earnings, and risk-based and other regulatory capital requirements and limitations. During the first three months of 2013, all of the Company's subsidiary banks recorded a profit. We expect that this profitability will be sustained, thus permitting additional payments of dividends by the subsidiaries to the Parent, and/or returns of capital to the Parent during the remainder of 2013.

During 2012 and the first three months of 2013, the Company has held the dividend on its common stock to \$0.01 per share per quarter to conserve both capital and cash at the Parent. On April 19, 2013, the Company announced an increase in its quarterly dividend on common stock to \$0.04 per share. The dividend is payable May 30, 2013, to shareholders of record on May 23, 2013.

General financial market and economic conditions impact the Company's access to and cost of external financing. Access to funding markets for the Parent and subsidiary banks is also directly affected by the credit ratings they receive from various rating agencies. The ratings not only influence the costs associated with the borrowings, but can also influence the sources of the borrowings. The debt ratings and outlooks issued by the various rating agencies for the Company did not change during the first three months of 2013. While Moody's rates the Company's senior debt as Ba1 or noninvestment grade, Standard & Poor's, Fitch, Dominion Bond Rating Service ("DBRS"), and Kroll all rate the Company's senior debt at a low investment grade level. In addition, all the previously mentioned rating agencies, except Kroll, rate the Company's subordinated debt as noninvestment grade.

During the first three months of 2013, the primary sources of additional cash to the Parent in the capital markets were (1) \$171.8 million issuance of Series G fixed/floating-rate non-cumulative perpetual preferred stock; proceeds net of commissions and fees were \$168.8 million and (2) \$19.4 million issuance of 2.75% unsecured senior notes maturing in May 2016; proceeds net of commissions and fees were \$19.3 million.

The primary use of cash in the capital markets during the first three months of 2013 was the repayment of an \$18.2 million medium-term senior note with a coupon interest rate of 4.25%.

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The following table presents the Parent's balance sheet at March 31, 2013, December 31, 2012, and March 31, 2012.
PARENT ONLY CONDENSED BALANCE SHEETS

(In thousands)	March 31, 2013	December 31, 2012	March 31, 2012
ASSETS			
Cash and due from banks	\$1,779	\$2,001	\$2,019
Interest-bearing deposits	106,425	75,808	510,383
Security resell agreements	850,000	575,000	—
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value of \$24,500, \$22,112 and \$18,598)	19,654	22,679	23,956
Available-for-sale, at fair value	495,631	461,665	385,628
Loans, net of unearned fees of \$0, \$0 and \$0 and allowance for loan losses of \$22, \$23 and \$0	1,278	1,277	—
Other noninterest-bearing investments	48,785	50,799	52,731
Investments in subsidiaries:			
Commercial banks and bank holding company	6,697,996	6,668,881	7,159,648
Other operating companies	35,580	36,516	44,175
Nonoperating – ZMFU II, Inc!	43,557	43,012	92,848
Receivables from subsidiaries:			
Other operating companies	5,000	—	20,000
Other assets	257,540	311,093	281,529
	\$8,563,225	\$8,248,731	\$8,572,917
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other liabilities	\$106,663	\$106,159	\$87,286
Commercial paper:			
Due to affiliates	—	—	45,991
Due to others	—	—	2,481
Other short-term borrowings:			
Due to affiliates	—	—	14
Due to others	—	4,951	16,900
Subordinated debt to affiliated trusts	309,278	309,278	309,278
Long-term debt:			
Due to affiliates	—	—	10
Due to others	1,791,879	1,776,274	1,721,844
Total liabilities	2,207,820	2,196,662	2,183,804
Shareholders' equity:			
Preferred stock	1,301,289	1,128,302	1,737,633
Common stock	4,170,888	4,166,109	4,162,522
Retained earnings	1,290,131	1,203,815	1,060,525
Accumulated other comprehensive loss	(406,903)	(446,157)	(571,567)
Total shareholders' equity	6,355,405	6,052,069	6,389,113
	\$8,563,225	\$8,248,731	\$8,572,917

¹ ZMFU II, Inc. is a wholly-owned nonoperating subsidiary whose sole purpose is to hold a portfolio of municipal bonds, loans and leases.

During the first three months of 2013 and 2012, the Parent's operating expenses included cash payments for interest of approximately \$44 million and \$36 million, respectively. Additionally, the Parent paid approximately \$24 million and \$41 million of dividends on preferred stock and common stock, respectively, for the same periods. Preferred stock dividends were lower in the first quarter of 2013 as compared to the first quarter of 2012 as a result of the redemption of the \$1.4 billion TARP preferred stock during 2012 and the replacement of the 11.0% Series E preferred stock with the 7.9% Series F preferred stock.

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At March 31, 2013, maturities of the Company's long-term senior and subordinated debt ranged from February 2014 to November 2019.

Subsidiary Bank Liquidity

The subsidiary banks' primary source of funding is their core deposits, consisting of demand, savings and money market deposits, time deposits under \$100,000, and foreign deposits. These core deposits, excluding brokered deposits, in aggregate, constituted 96.6% of consolidated deposits at both March 31, 2013 and December 31, 2012. On a consolidated basis, the Company's net loan to total deposit ratio increased to 84.9% as of March 31, 2013 compared to 81.6% as of December 31, 2012, primarily as a result of a decrease in deposits.

All deposit types decreased during the first quarter of 2013, resulting in total deposits decreasing by \$1.6 billion. Noninterest-bearing deposits decreased \$1.2 billion, the largest decrease of all deposit types. The FDIC rule providing temporary unlimited insurance coverage of noninterest-bearing transaction accounts at all FDIC-insured depository institutions expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits the owner may hold, and the combined total is insured up to \$250,000.

The FHLB system and Federal Reserve Banks have been and are a source of back-up liquidity, and from time to time, a significant source of funding for each of the Company's subsidiary banks. Zions Bank, TCBW, and TCBO are members of the FHLB of Seattle. CB&T, NSB, and NBAZ are members of the FHLB of San Francisco. Vectra is a member of the FHLB of Topeka and Amegy Bank is a member of the FHLB of Dallas. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements. The subsidiary banks are required to invest in FHLB and Federal Reserve stock to maintain their borrowing capacity. At March 31, 2013, the amount available for additional FHLB and Federal Reserve borrowings was approximately \$14.5 billion. Loans with a carrying value of approximately \$22.0 billion at March 31, 2013 and \$21.1 billion at December 31, 2012 have been pledged at various FHLBs and the Federal Reserve as collateral for current and potential borrowings. At both March 31, 2013 and December 31, 2012, the Company had a de minimus amount of long-term borrowings outstanding with the FHLB – approximately \$23 million. At March 31, 2013 and December 31, 2012, the subsidiary banks' total investment in FHLB stock was approximately \$106 million and \$109 million, respectively. At both March 31, 2013 and December 31, 2012 the subsidiary bank's total investment in Federal Reserve stock was \$123 million.

The Company's investment activities can provide or use cash, depending on the asset-liability management posture that is taken. For the first three months of 2013, investment securities' activities resulted in an increase in investment securities and a net \$120 million decrease in cash compared with a decrease in investment securities and a net \$46 million increase in cash for the first three months of 2012.

Maturing balances in our subsidiary banks' loan portfolios also provide additional flexibility in managing cash flows. Lending activity for the first quarter of 2013 resulted in a net cash outflow of \$135 million compared to a net cash inflow of \$415 million for the first quarter of 2012.

A more comprehensive discussion of our liquidity management is contained in the Company's 2012 Annual Report on Form 10-K.

Operational Risk Management

Operational risk is the potential for unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. In its ongoing efforts to identify and manage operational risk, the Company has a Corporate Risk Management Department whose responsibility is to help management identify and assess key risks and monitor the key internal controls and processes that the Company has in place to mitigate

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operational risk. We have documented controls and the Control Self Assessment related to financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the Federal Deposit Insurance Corporation Improvement Act of 1991.

To manage and minimize its operating risk, the Company has in place transactional documentation requirements; systems and procedures to monitor transactions and positions; systems and procedures to detect and mitigate attempts to commit fraud, penetrate the Company's systems or telecommunications, access customer data, and/or deny normal access to those systems to the Company's legitimate customers; regulatory compliance reviews; and periodic reviews by the Company's internal audit and credit examination departments. In addition, reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. Further, we maintain contingency plans and systems for operations support in the event of natural or other disasters.

Efforts are continually underway to improve the Company's oversight of operational risk, including enhancement of risk-control self assessments and of anti-fraud measures, which are reported to the Enterprise Risk Management Committee and to the Risk Oversight Committee of the Board. We also mitigate operational risk through the purchase of insurance, including errors and omissions and professional liability insurance. However, the number and sophistication of attempts to disrupt or penetrate the Company's critical systems, sometimes referred to as hacking, cyberfraud, cyberattacks, cyberterrorism, or other similar names, also continues to grow. On a daily basis, the Company, its customers, and other financial institutions are subject to such attempts. The Company has established systems and procedures to monitor, thwart or mitigate damage from such attempts, and usually these efforts have been successful. However, in some instances we, or our customers, have been victimized by cyberfraud (related losses to the Company have not been material), or some of our customers have been temporarily unable to routinely access our online systems as a result of, for example, distributed denial of service attacks.

CAPITAL MANAGEMENT

We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence.

On March 14, 2013, the Federal Reserve notified the Company of the results of its review of the Company's capital plan under the FRB's 2013 Capital Plan Review. While the FRB objected to certain proposed capital actions, it did not object to key capital actions relating to the reduction of the cost and quantity of the Company's non-common capital. Specifically, among other things, the FRB did not object to the issuance by the Company of up to \$600 million in additional perpetual preferred stock, and to the redemption of up to \$600 million of the Company's outstanding Series C 9.5% Non-Cumulative Perpetual Preferred Stock. On May 6, 2013, the Company reported that the FRB did not object to increasing both of these amounts by \$200 million to a total of \$800 million.

Total controlling interest shareholders' equity increased by 5.0% from \$6,052 million at December 31, 2012 to \$6,355 million at March 31, 2013. The increase in total controlling interest shareholders' equity is primarily due to the \$171.8 million issuance of preferred stock, \$110.7 million of net income applicable to controlling interest, and \$41.5 million improvement in net unrealized losses on investment securities recorded in AOCI, partially offset by \$24.2 million of dividends paid on preferred and common stock. The improvement in net unrealized losses on investment securities recorded in the first three months of 2013 was primarily a result of fair value increases in CDO securities that occurred mainly in senior tranches and were driven by continued improvement in credit spreads.

The Company paid \$1.8 million in dividends on common stock during the first three months of 2013. The dividends paid per share of \$0.01 were unchanged from the rate paid since the third quarter of 2009. As previously stated, On April 19, 2013, the Company announced an increase in its quarterly dividend on common stock to \$0.04 per share.

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The Company recorded preferred stock dividends of \$22.4 million and \$64.2 million during the first three months of 2013 and 2012, respectively. Preferred dividends for the first three months of 2012 include \$42.6 million related to the TARP preferred stock, consisting of cash payments of \$17.4 million and accretion of \$25.2 million for the difference between the fair value and par amount of the TARP preferred stock when issued.

Conversions of convertible subordinated debt into preferred stock have augmented the Company's capital position and reduced future refinancing needs. During the first three months of 2013, \$1 million of subordinated debt was converted into preferred stock. As of March 31, 2013, \$457 million of convertible subordinated debt was outstanding and our preferred stock balance included \$126 million related to the beneficial conversion feature. A portion of the beneficial conversion feature is reclassified from common stock to preferred stock upon each conversion of convertible subordinated debt into preferred stock. The Series C preferred stock is callable in September 2013 and in the event that it were to be redeemed, the \$126 million would be reclassified into common equity. The following schedule shows the effect of the conversions on Tier 1 capital and outstanding convertible subordinated debt.

IMPACT OF CONVERTIBLE SUBORDINATED DEBT

(In millions)	Three Months Ended				
	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Preferred equity:					
Convertible subordinated debt converted to preferred stock	\$1	\$4	\$6	\$50	\$30
Beneficial conversion feature reclassified from common to preferred stock	—	1	1	8	5
Change in preferred equity	1	5	7	58	35
Common equity:					
Accelerated convertible subordinated debt discount amortization, net of tax	—	(1)	(2)	(13)	(10)
Beneficial conversion feature reclassified from common to preferred stock	—	(1)	(1)	(8)	(5)
Change in common equity	—	(2)	(3)	(21)	(15)
Net impact on Tier 1 capital	\$1	\$3	\$4	\$37	\$20
Convertible subordinated debt outstanding	\$457	\$458	\$462	\$467	\$518

Note: The expected conversion of subordinated debt into preferred stock on May 15-16, 2013 is approximately \$0.2 million.

On February 7, 2013, the Company issued \$171.8 million of a new series of Tier 1 capital qualifying noncumulative perpetual preferred stock. Dividends on the Series G preferred stock is at an annual rate of 6.30% through March 15, 2023, and at an annual floating rate equal to three-month LIBOR plus 4.24% thereafter. The Series G preferred stock may be redeemed in whole or in part, on or after March 15, 2023. Net of commission and fees, proceeds from the issuance added \$168.8 million to shareholders' equity and Tier 1 capital.

Note 7 of the Notes to Consolidated Financial Statements provides additional information on the Company's debt and equity transactions during the first three months of 2013.

Banking organizations are required under published regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. As of March 31, 2013, the Company's capital ratios were as follows:

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CAPITAL RATIOS

	March 31, 2013		December 31, 2012		March 31, 2012	
Tangible common equity ratio	7.53	%	7.09	%	6.89	%
Tangible equity ratio	9.97	%	9.15	%	10.24	%
Average equity to average assets (three months ended)	11.54	%	11.03	%	13.31	%
Risk-based capital ratios:						
Common equity Tier 1	10.07	%	9.80	%	9.71	%
Tier 1 leverage	11.55	%	10.96	%	12.17	%
Tier 1 risk-based	14.08	%	13.38	%	14.83	%
Total risk-based	15.75	%	15.05	%	16.76	%
Return on average common equity (three months ended)	7.18	%	2.91	%	2.21	%
Tangible return on average tangible common equity (three months ended)	9.37	%	4.07	%	3.18	%

At March 31, 2013, regulatory Tier 1 risk-based capital and total risk-based capital were \$6,147 million and \$6,880 million, compared to \$5,884 million and \$6,617 million at December 31, 2012, and \$6,333 million and \$7,157 million at March 31, 2012, respectively.

In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) each issued Notices of Proposed Rulemaking (“NPRs”) that would revise and replace the Agencies’ current regulatory capital rules to align with the June 2011 Bank for International Settlements regulatory framework, commonly referred to as Basel III. These capital standards meet certain requirements of the Dodd-Frank Act. Requirements included in the proposed NPRs would establish more restrictive capital definitions, higher risk-weightings for certain asset classes, capital buffers, higher minimum capital ratios, and new “prompt corrective action” triggers and restrictions. The revisions include revised methodologies for determining risk-weighted assets for residential mortgages, unused loan commitments, securitization exposures, nonperforming assets, and counterparty credit risk. We are currently evaluating the impact of the proposed NPRs on our regulatory capital ratios. While uncertainty exists in the final form of the U.S. rules implementing the Basel III capital framework, we expect to meet the final requirements adopted by U.S. banking regulators within regulatory timelines.

Subsequent to March 31, 2013, the Company expects to execute several capital actions that should significantly reduce the cost of its capital and financing structure, including the following. On May 3, 2013, the Company issued \$126.2 million of a new Series H Tier 1 capital qualifying noncumulative perpetual preferred stock at an annual dividend rate of 5.75%, redeemable on or after June 15, 2019. Also, on May 3, 2013, Zions Capital Trust B redeemed all of its outstanding 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.

GAAP to NON-GAAP RECONCILIATIONS

1. Common equity Tier 1 capital

Traditionally, the Federal Reserve and other banking regulators have assessed a bank’s capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. Regulators have begun supplementing

their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as common equity Tier 1 capital. The common equity Tier 1 capital ratio is the core capital component of the Basel III standards, and we believe that it increasingly is becoming a key ratio considered by regulators, investors, and analysts. There is a difference between this ratio calculated using Basel I definitions of common equity Tier 1 capital and those definitions using Basel III rules when fully phased in (which have not yet been formalized in regulation). The common equity Tier 1 risk-based capital ratios in the Capital Ratios schedule presented previously use the current Basel I definitions for determining the numerator. Because common equity Tier 1 capital is not formally defined by GAAP or codified in the federal banking regulations, this measure is considered to be a non-

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GAAP financial measure and other entities may calculate them differently than the Company's disclosed calculations. Since banking regulators, investors and analysts may assess the Company's capital adequacy using common equity Tier 1 capital, we believe it is useful to provide them the ability to assess the Company's capital adequacy on this same basis.

Common equity Tier 1 capital is often expressed as a percentage of risk-weighted assets. Under the current risk-based capital framework, a bank's balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad "Basel I" risk categories for banks, like our banking subsidiaries, that have not adopted the Basel II "Advanced Measurement Approach." The aggregated dollar amount in each category is then multiplied by the risk weighting assigned to that category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that, as adjusted, comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at common equity Tier 1 capital. Common equity Tier 1 capital is also divided by the risk-weighted assets to determine the common equity Tier 1 capital ratio. The amounts disclosed as risk-weighted assets are calculated consistent with banking regulatory requirements.

The schedule below provides a reconciliation of controlling interest shareholders' equity (GAAP) to Tier 1 capital (regulatory) and to common equity Tier 1 capital (non-GAAP) using current U.S. regulatory treatment and not proposed Basel III calculations.

COMMON EQUITY TIER 1 CAPITAL (NON-GAAP)

(Amounts in millions)	March 31, 2013	December 31, 2012	March 31, 2012	
Controlling interest shareholders' equity (GAAP)	\$6,355	\$6,052	\$6,389	
Accumulated other comprehensive loss	407	446	572	
Nonqualifying goodwill and intangibles	(1,061)	(1,065)	(1,079)	
Other regulatory adjustments	(2)	3	3	
Qualifying trust preferred securities	448	448	448	
Tier 1 capital (regulatory)	6,147	5,884	6,333	
Qualifying trust preferred securities	(448)	(448)	(448)	
Preferred stock	(1,301)	(1,128)	(1,738)	
Common equity Tier 1 capital (non-GAAP)	\$4,398	\$4,308	\$4,147	
Risk-weighted assets (regulatory)	\$43,666	\$43,970	\$42,704	
Common equity Tier 1 capital to risk-weighted assets (non-GAAP)	10.07	% 9.80	% 9.71	%

2. Income before income taxes and subordinated debt conversions

This Form 10-Q presents "income before income taxes and subordinated debt conversions" which excludes the effects of the (1) periodic discount amortization on convertible subordinated debt and (2) accelerated discount amortization on convertible subordinated debt which has been converted.

The first schedule in "Results of Operations" provides a reconciliation of income before income taxes (GAAP) to income before income taxes and subordinated debt conversions (non-GAAP).

3. Tangible return on average tangible common equity

This Form 10-Q presents “tangible return on average tangible common equity” which excludes, net of tax, the amortization of core deposit and other intangibles and impairment loss on goodwill from net earnings applicable to common shareholders, and average goodwill and core deposit and other intangibles from average common equity.

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The following schedule provides a reconciliation of net earnings applicable to common shareholders (GAAP) to net earnings applicable to common shareholders, excluding net of tax, the effects of amortization of core deposit and other intangibles and impairment loss on goodwill (non-GAAP), and average common equity (GAAP) to average tangible common equity (non-GAAP).

TANGIBLE RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in thousands)	Three Months Ended			
	March 31, 2013	December 31, 2012	March 31, 2012	
Net earnings applicable to common shareholders (GAAP)	\$88,324	\$35,605	\$25,489	
Adjustments, net of tax:				
Impairment loss on goodwill	—	583	—	
Amortization of core deposit and other intangibles	2,425	2,677	2,722	
Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax (non-GAAP) (a)	\$90,749	\$38,865	\$28,211	
Average common equity (GAAP)	\$4,990,317	\$4,862,972	\$4,644,722	
Average goodwill	(1,014,129)	(1,014,986)	(1,015,129)	
Average core deposit and other intangibles	(49,069)	(53,083)	(65,837)	
Average tangible common equity (non-GAAP) (b)	\$3,927,119	\$3,794,903	\$3,563,756	
Number of days in quarter (c)	90	92	91	
Number of days in year (d)	365	366	366	
Tangible return on average tangible common equity (non-GAAP) (a/b/c*d)	9.37	% 4.07	% 3.18	%

4. Total shareholders' equity to tangible equity and tangible common equity

This Form 10-Q presents "tangible equity" and "tangible common equity" which excludes goodwill and core deposit and other intangibles for both measures and preferred stock and noncontrolling interests for tangible common equity.

The following schedule provides a reconciliation of total shareholders' equity (GAAP) to both tangible equity (non-GAAP) and tangible common equity (non-GAAP).

TANGIBLE EQUITY (NON-GAAP) AND TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in millions)	March 31, 2013	December 31, 2012	March 31, 2012
Total shareholders' equity (GAAP)	\$6,351	\$6,049	\$6,387
Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(47)	(51)	(64)
Tangible equity (non-GAAP) (a)	5,290	4,984	5,308
Preferred stock	(1,301)	(1,128)	(1,738)
Noncontrolling interests	5	3	2
Tangible common equity (non-GAAP) (b)	\$3,994	\$3,859	\$3,572
Total assets (GAAP)	\$54,111	\$55,512	\$52,896

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Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(47)	(51)	(64)
Tangible assets (non-GAAP) (c)	\$53,050		\$54,447		\$51,817	
Tangible equity ratio (a/c)	9.97	%	9.15	%	10.24	%
Tangible common equity ratio (b/c)	7.53	%	7.09	%	6.89	%

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For items 2, 3, and 4 the identified adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are included where applicable in financial results or in the balance sheet presented in accordance with GAAP. We consider these adjustments to be relevant to ongoing operating results and financial position.

We believe that excluding the amounts associated with these adjustments to present the non-GAAP financial measures provides a meaningful base for period-to-period and company-to-company comparisons, which will assist regulators, investors, and analysts in analyzing the operating results or financial position of the Company and in predicting future performance. These non-GAAP financial measures are used by management and the Board of Directors to assess the performance of the Company's business or its financial position for evaluating bank reporting segment performance, for presentations of the Company's performance to investors, and for other reasons as may be requested by investors and analysts. We further believe that presenting these non-GAAP financial measures will permit investors and analysts to assess the performance of the Company on the same basis as that applied by management and the Board of Directors.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders to evaluate a company, they have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate and market risks are among the most significant risks regularly undertaken by the Company, and they are closely monitored as previously discussed. A discussion regarding the Company's management of interest rate and market risk is included in the section entitled "Interest Rate and Market Risk Management" in this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2013. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2013. There were no changes in the Company's internal control over financial reporting during the first quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 10 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

ITEM 1A. RISK FACTORS

Other than for the additional risk factors set forth below, the Company believes there have been no material changes in the risk factors included in Zions Bancorporation's 2012 Annual Report on Form 10-K.

Our business is highly correlated to local economic conditions in a specific geographic region of the United States.

As a regional bank holding company, the Company provides a full range of banking and related services through its banking and other subsidiaries in Utah, California, Texas, Arizona, Nevada, Colorado, Idaho, Washington, and Oregon. Approximately 86% of the Company's total net interest income for the year ended December 31, 2012 and 76% of total assets as of December 31, 2012 relate to the subsidiary banks in Utah, California and Texas. As a result

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of this geographic concentration, our financial results depend largely upon economic conditions in these market areas. Accordingly, adverse economic conditions affecting these three states in particular could significantly affect our consolidated operations and financial results. For example, our credit risk could be elevated to the extent our lending practices in these three states focus on borrowers or groups of borrowers with similar economic characteristics that are similarly affected by the same adverse economic events. As of December 31, 2012, loan balances at our subsidiary banks in Utah, California and Texas comprised 82% of the Company's commercial lending portfolio, 74% of the commercial real estate lending portfolio, and 69% of the consumer lending portfolio. Loans originated by these banks are primarily to companies in their respective states.

Our estimates of our interest rate risk position for noninterest-bearing demand deposits are dependent on assumptions for which there is little historical experience, and the actual behavior of those deposits in a changing interest rate environment may differ materially from our estimates which could materially affect our results of operations. We have experienced a low interest rate environment for the past several years. Our views with respect to, among other things, the degree to which we are "asset-sensitive," including our interest rate risk position for noninterest-bearing demand deposits, are dependent on modeled projections that rely on assumptions regarding changes in balances of such deposits in a changing interest rate environment. Because there is no modern precedent for this current prolonged low interest rate environment, there is little historical experience upon which to base such assumptions. If interest rates begin to increase, our assumptions regarding changes in balances of noninterest-bearing demand deposits and regarding the speed and degree to which other deposits are repriced may prove to be incorrect, and business decisions made in reliance on our modeled projections and underlying assumptions could prove to be unsuccessful. Because noninterest-bearing demand deposits are a significant portion of our deposit base, errors in our modeled projections and the underlying assumptions could materially affect our results of operations.

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

The following table summarizes the Company's share repurchases for the first quarter of 2013:

SHARE REPURCHASES

Period	Total number of shares repurchased ¹	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan
January	1,710	\$22.77	—	\$—
February	15,333	23.93	—	—
March	166	24.04	—	—
First quarter	17,209	23.82	—	—

Represents common shares acquired from employees in connection with the Company's stock compensation plan.

¹ Shares were acquired from employees to pay for their payroll taxes upon the vesting of restricted stock and restricted stock units under the "withholding shares" provision of an employee share-based compensation plan.

ITEM 6. EXHIBITS

a) Exhibits

Exhibit Number	Description
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3.1 Restated Articles of Incorporation of Zions Bancorporation dated November 8, 1993, incorporated by reference to Exhibit 3.1 of Form S-4 filed on November 22, 1993. *

3.2 Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 30, 1997, incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2008. *

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Exhibit Number	Description	
3.3	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 24, 1998, incorporated by reference to Exhibit 3.3 of Form 10-Q for the quarter ended March 31, 2009.	*
3.4	Articles of Amendment to Restated Articles of Incorporation of Zions Bancorporation dated April 25, 2001, incorporated by reference to Exhibit 3.6 of Form S-4 filed July 13, 2001.	*
3.5	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated December 5, 2006, incorporated by reference to Exhibit 3.5 of Form 10-K for the year ended December 31, 2011.	*
3.6	Articles of Merger of The Stockmen's Bancorp, Inc. with and into Zions Bancorporation, effective January 17, 2007, incorporated by reference to Exhibit 3.6 of Form 10-Q for the quarter ended March 31, 2012.	*
3.7	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated July 7, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 8, 2008.	*
3.8	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated November 12, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed November 17, 2008.	*
3.9	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated June 30, 2009, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 2, 2009.	*
3.10	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 30, 2009, incorporated by reference to Exhibit 3.10 of Form 10-Q for the quarter ended June 30, 2009.	*
3.11	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 1, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 3, 2010.	*
3.12	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 14, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 15, 2010.	*
3.13	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series F Fixed-Rate Non-Cumulative Perpetual Preferred Stock, dated May 4, 2012, incorporated by reference to Exhibit 3.1 of Form 8-K filed May 5, 2012.	*
3.14	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series G Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock, dated February 5, 2013, incorporated by reference to Exhibit 3.1 of Form 8-K filed February 7, 2013.	*
3.15		*

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Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series H Fixed-Rate Non-Cumulative Perpetual Preferred Stock, dated April 29, 2013, incorporated by reference to Exhibit 3.1 of Form 8-K filed May 3, 2013.

- 3.16 Restated Bylaws of Zions Bancorporation dated November 8, 2011, incorporated by reference to Exhibit 3.13 of Form 10-Q for the quarter ended September 30, 2011. *
- 10.1 Cessation of Employment and Consulting Agreement between the Company and Kenneth E. Peterson, dated February 28, 2013 (filed herewith).
- 31.1 Certification by Chief Executive Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).
- 31.2 Certification by Chief Financial Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).
- 32 Certification by Chief Executive Officer and Chief Financial Officer required by Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and 18 U.S.C. Section 1350 (furnished herewith).

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Exhibit Number	Description
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012, (ii) the Consolidated Statements of Income for the three months ended March 31, 2013 and March 31, 2012, (iii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and March 31, 2012, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2013 and March 31, 2012, (v) the Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and March 31, 2012, and (vi) the Notes to Consolidated Financial Statements (furnished herewith).

* Incorporated by reference

SIGNATURES

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

ZIONS BANCORPORATION

/s/ Harris H. Simmons
Harris H. Simmons, Chairman, President
and Chief Executive Officer

/s/ Doyle L. Arnold
Doyle L. Arnold, Vice Chairman and
Chief Financial Officer

Date: May 9, 2013

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