MASSMUTUAL CORPORATE INVESTORS
Form 4
May 27, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
OCONNELL ROBERT J

(Last) (First) (Middle)

MASSMUTUAL FINANCIAL GROUP, 1295 STATE STREET

(Street)

SPRINGFIELD, MA 011110001

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MASSMUTUAL CORPORATE INVESTORS [MCI]

3. Date of Earliest Transaction (Month/Day/Year)
05/16/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Affiliated Person of Adviser

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount Underlying Securitie

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount Number Shares
MassMutual Holding Company Non-Qualified Deferre	$ 0	05/16/2005		A (1)		592.5		(2)	(2)	Capital Stock	592.5
MassMutual Non-Qualified Thrift Plan	$ 0	05/16/2005		A (1)		1,077.37		(2)	(2)	Capital Stock	1,077.3
MassMutual Non-Qualified Thrift Plan	$ 0	05/26/2005		A		25.04		(2)	(2)	Capital Stock	25.04

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
OCONNELL ROBERT J MASSMUTUAL FINANCIAL GROUP 1295 STATE STREET SPRINGFIELD, MA 011110001				Affiliated Person of Adviser

Signatures

By: Rosemary Baker as Attorney-in-fact for — 05/27/2005

**Signature of Reporting Person — Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Dividend Reinvestment

(2) Exercisable only upon termination or retirement, however, holdings may be liquidated and invested into other investment options at each month. The derivative has no actual securities underlying the agreement, which is entirely notional.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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51%

[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, 13 CDO securities, representing 25% of the CDO portfolio's fair value at June 30, 2013, were upgraded by one or more NRSROs during the first six months of 2013. The mean upgrade of those securities upgraded was 3 notches; the maximum upgrade was 6 notches. These upgrades were attributed to improvements in over-collateralization ratios and deleveraging. No CDO securities were downgraded during the first six months of 2013.

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ZIONS BANCORPORATION AND SUBSIDIARIES

BANK AND INSURANCE TRUST PREFERRED CDOs

	Six Months Ended June 30, 2013			
(In millions)	No. of securities	Par amount	Amortized cost	Fair value
Rating changes [1]				
Upgrade	13	$424	$383	$292
No change	87	1,820	1,393	867
Downgrade	—	—	—	—
	100	$2,244	$1,776	$1,159

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

For the second quarter of 2013, the average annual prepayment rate assumption for pools, which includes both large and small banks, is 13% for each year through 2015, followed by an annual prepayment rate assumption of 3% thereafter. For pools without large banks, we assume a 9% 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.

ZIONS BANCORPORATION AND SUBSIDIARIES

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 June 30, 2013		$151		$1,004	
		Incremental	Cumulative	Incremental	Cumulative
Currently Modeled Assumptions					
Expected collateral credit losses [1]					
Loss percentage from currently defaulted or deferring collateral [2]			5.5 %		24.3 %
Projected loss percentage from currently performing collateral					
1-year		0.3 %	5.8 %	0.4 %	24.6 %
years 2-5		1.8 %	7.6 %	1.5 %	26.2 %
years 6-30		11.0 %	18.6 %	9.5 %	35.7 %
Discount rate [3]					
Weighted average spread over LIBOR		747 bp		771 bp	
Sensitivity of Modeled Assumptions					
Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral [4]	25%	$(0.9)		$(8.7)	
	50%	(1.8)		(17.6)	
	100%	(3.8)		(36.2)	
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%	$(6.8)		$(85.6)	
	50%	(7.8)		(93.4)	
	100%	(9.6)		(109.2)	
Increase (decrease) in fair value due to increase in discount rate	+100 bp	$(12.2)		$(65.5)	
	+ 200 bp	(23.1)		(123.7)	
Increase (decrease) in fair value due to increase in Forward LIBOR Curve	+ 100 bp	$6.7		$32.1	
Increase (decrease) in fair value due to:					
increase in prepayment assumption[5]	+1%	$3.3		$21.2	
increase in prepayment assumption[6]	+2%	6.6		42.0	

[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 11.19% to 100%.

[3] The 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% = 35.7%+50%(0.4%+1.5%+9.5%) and 47.2% = 35.7%+100%(0.4%+1.5%+9.5%), respectively.

[5] Prepayment rate for small banks increased to 10% per year for the first 2.5 years and to 4% per year thereafter through maturity.

[6] Prepayment rate for small banks increased to 11% per year for the first 2.5 years and to 5% per year thereafter through maturity.

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ZIONS BANCORPORATION AND SUBSIDIARIES

Increases in short-term forward interest rates during the second quarter of 2013 were responsible for approximately half of the fair value increase in junior CDO tranches. Additionally, discount rates applicable to junior CDO tranches decreased during the second quarter of 2013 consistent with observed improved prices for these assets. The result was an increase in the fair values of the junior CDO tranches. The impact of reducing the near term prepayment assumption for small banks from 10% through 2015 to 9% for that same period was an immaterial reduction in fair value which was offset by collateral improvements.

Bank Collateral Deferral Experience

The Company's loss and recovery experience as of June 30, 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, through the financial crisis until the end of the second quarter of 2013, with deferring bank collateral has been that 52% has defaulted, approximately 25% has resumed paying interest, and approximately 24% remains within the allowable deferral period. This 24% is comprised of 173 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.

As noted, a significant number of previous deferrals have resumed interest payments; 92 issuing banks, with collateral aggregating to 25% of all deferrals and 51% 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 92 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.

ZIONS BANCORPORATION AND SUBSIDIARIES

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 June 30, 2013

			Total				Credit loss		Valuation losses [1]
(Dollar amounts in millions)	Number of securities	% of portfolio	Par value	Amortized cost	Estimated fair value	Unrealized loss	Current year	Life-to-date	Life-to-date
Original ratings of securities, no OTTI recognized:									
Original AAA	22	32.6 %	$690	$634	$483	$(151)	$—	$—	$(72)
Original A	15	15.8 %	336	336	198	(138)	—	—	—
Original BBB	5	2.2 %	47	46	22	(25)	—	—	—
Total Non-OTTI		50.6 %	1,073	1,016	703	(314)	—	—	(72)
Original ratings of securities, OTTI recognized:									
Original AAA	1	2.4 %	50	43	26	(17)	—	(5)	(2)
Original A	46	43.8 %	928	608	314	(294)	(13)	(325)	—
Original BBB	6	3.2 %	67	6	4	(2)	(1)	(61)	—
Total OTTI		49.4 %	1,045	657	344	(313)	(14)	(391)	(2)
Total noninvestment grade bank and insurance CDOs		100.0 %	$2,118	$1,673	$1,047	$(627)	$(14)	$(391)	$(74)

	Average amount of each security held [2]			
(In millions)	Par value	Amortized cost	Estimated fair value	Unrealized gain (loss)
Original ratings of securities, no OTTI recognized:				
Original AAA	$30	$28	$21	$(7)
Original A	15	15	9	(6)
Original BBB	9	9	4	(5)
Original ratings of securities, OTTI recognized:				
Original AAA	50	43	26	(17)
Original A	17	11	6	(5)
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 June 30, 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]	Collateral-ization %[5]	Present value of expected cash flows discounted at 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 %	63.9 %	672.9 %	100 %	—
Weighted average				17.3	9.3	40.5	244.5	100	10.8 %
Worst	CC	31	15	28.7	20.1	11.2	141.9	100	14.7
Original A									
Best	B	31	31	—	—	28.3	309.3	100	11.3
Weighted average				1.5	5.0	20.8	157.2	100	12.3
Worst	CCC	6	5	4.0	9.3	12.5	134.7	100	14.6
Original BBB									
Best	CCC	31	31	—	—	19.9	355.8	100	11.3
Weighted average				1.3	3.9	12.5	270.2	100	12.5
Worst	CC	21	18	4.0	9.3	5.8	186.8	100	13.7
Original Ratings of Securities, OTTI:									
Original AAA									
Single	CCC	42	26	22.9	12.8	27.5	206.8	100	10.1
Original A									
Best	CC	25	23	—	—	(1.4)	95.4	100	—
Weighted average				12.7	10.1	(19.5)	59.8	71	12.0
Worst	C	3	—	33.3	25.1	(147.2)	11.3	10	17.7
Original BBB									
Best	C	39	33	6.3	4.7	(9.0)	61.0	62	7.5
Weighted average				19.5	12.0	(45.3)	(212.0)	10	10.3
Worst	C	32	13	27.0	14.6	(86.7)	(373.1)	—	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.

ZIONS BANCORPORATION AND SUBSIDIARIES

In prior quarters, certain original A-rated securities described in the previous schedule had negative subordination and were therefore under-collateralized, yet they were not identified as having OTTI. Negative subordination for these securities no longer exists at June 30, 2013. Deferral recoveries and rerouting of interest collections to pay down principal of the most senior liabilities have generally increased collateralization and subordination levels for a significant portion of the bank and insurance CDO securities. In particular, all securities not identified as having OTTI had collateralization above 100% and positive subordination at June 30, 2013.

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 second quarter of 2013, the Company recognized credit-related net impairment losses on CDOs of $4.2 million, compared to losses of $7.3 million in the same prior year period. Approximately $3.7 million of the OTTI for the second quarter of 2013 was due to a liquidation after an event of default on a CDO security.

During the first six months of 2013 and 2012, the Company recognized credit-related net impairment losses on CDOs of $14.3 million and $17.5 million, respectively.

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.

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

MUNICIPALITIES

ZIONS BANCORPORATION AND SUBSIDIARIES

(In millions)	June 30, 2013	December 31, 2012
Loans and leases	$454	$494
Held-to-maturity – municipal securities	564	525
Available-for-sale – municipal securities	66	75
Available-for-sale – auction rate securities	7	7
Trading account – municipal securities	19	21
Unused commitments to extend credit	7	33
Total direct exposure to municipalities	$1,117	$1,155

Company policy requires that extensions of credit to municipalities be subjected to specific underwriting standards. At June 30, 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 June 30, 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 June 30, 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 $5.5 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 would increase by approximately $2.9 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%.

Loan Portfolio

As displayed in the following schedule, commercial and industrial loans were the largest category and constituted 31.2% of the Company's loan portfolio at June 30, 2013. Construction and land development loans were 5.7% and 5.1% of total loans at June 30, 2012 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.

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ZIONS BANCORPORATION AND SUBSIDIARIES

LOAN PORTFOLIO DIVERSIFICATION

	June 30, 2013			December 31, 2012		
(Amounts in millions)	Amount	% of total loans		Amount	% of total loans	
Commercial:						
Commercial and industrial	$11,899	31.2	%	$11,257	29.9	%
Leasing	388	1.0	%	423	1.1	%
Owner occupied	7,394	19.4	%	7,589	20.1	%
Municipal	454	1.2	%	494	1.3	%
Total commercial	20,135			19,763		
Commercial real estate:						
Construction and land development	2,191	5.7	%	1,939	5.1	%
Term	7,971	20.9	%	8,063	21.4	%
Total commercial real estate	10,162			10,002		
Consumer:						
Home equity credit line	2,124	5.6	%	2,178	5.8	%
1-4 family residential	4,486	11.7	%	4,350	11.6	%
Construction and other consumer real estate	322	0.8	%	321	0.9	%
Bankcard and other revolving plans	315	0.8	%	307	0.8	%
Other	212	0.6	%	216	0.6	%
Total consumer	7,459			7,372		
FDIC-supported loans [1]	432	1.1	%	528	1.4	%
Total net loans	$38,188	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 six 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, term loans and home equity credit lines. The loan portfolio increased primarily at Amegy, CB&T, and Vectra, while balances declined at Zions Bank.

Commercial and industrial, construction and land development, and 1-4 family residential consumer loan volumes grew due to increased customer demand. Owner occupied loans declined mainly due to a low supply of quality loans available for purchase, as well as active management by Zions Bank of the National Real Estate loan portfolio. We expect construction and land development and commercial and industrial loans to grow at a moderate rate for the next several quarters. During the second quarter, unfunded lending commitments increased by $643 million from the amount at March 31, 2013. The balance of FDIC-supported loans will continue to decline primarily due to paydowns and payoffs.

Other Noninterest-Bearing Investments

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

(In millions)	June 30, 2013	December 31, 2012
Bank-owned life insurance	$461	$456
Federal Home Loan Bank stock	105	109
Federal Reserve stock	121	123
SBIC investments	56	46
Non-SBIC investment funds and other	105	107

Trust preferred securities	5	14
	$853	$855

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ZIONS BANCORPORATION AND SUBSIDIARIES

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits for the first six months of 2013 increased by 4.8%, compared to the same prior year period, with average interest-bearing deposits increasing by 2.2% and average noninterest-bearing deposits increasing 9.2%. 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 11 bps lower during the first six months of 2013 than in the comparable prior-year period.

Core deposits at June 30, 2013, which exclude time deposits larger than $100,000 and brokered deposits, decreased by 2.36%, or $1,052 million, from December 31, 2012 and increased 5.23% or $2,163 million from June 30, 2012. The decrease from December 31, 2012 was mostly due to lower deposits at the Company’s Cayman Islands Branch, decreased deposits from Internet customers, as well as lower balances in noninterest-bearing business and interest-bearing personal demand deposit accounts. The increase from June 30, 2012 was primarily caused by noninterest-bearing demand deposits from business customers and higher interest-bearing deposits from individual consumers. Demand, savings and money market deposits comprised 90.4% of total deposits at June 30, 2013 compared to 89.7% at December 31. 2012 and 89.1% at June 30, 2012.

During the first six months 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 a future need. At June 30, 2013, total deposits included $34 million of brokered deposits compared to $37 million at December 31, 2012 and $127 million at June 30, 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 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

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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 June 30, 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 six months of 2013. Nonperforming lending-related assets decreased by 19.4% and 35.9% from December 31, 2012 and June 30, 2012, respectively. Gross charge-offs for the second quarter of 2013 declined to $35 million from $74 million in the second quarter of 2012. Net charge-offs decreased to $6 million during the second quarter of 2013 from $43 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. These loss sharing agreements expire on March 31, 2014 for the Alliance Bank, June 30, 2014 for the Vineyard Bank, and September 30, 2014 for the Great Basin Bank for most loans except for residential mortgage loans; for residential mortgage loans the loss sharing agreements generally extend for another five years after these dates. FDIC-supported loans represented 1.1 % of Company’s total loan portfolio at June 30, 2013 compared to 1.4% at December 31, 2012, and 1.7% at June 30, 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 June 30, 2013 Total actual net losses	Threshold
Alliance Bank	$171	$275
Vineyard Bank	202	465
Great Basin Bank	11	40
	$384	$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 June 30 2013, the principal balance of these loans was $572 million, and the guaranteed portion was approximately $430 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)	June 30, 2013	Percent guaranteed		December 31, 2012	Percent guaranteed	
Commercial	$551	75	%	$567	74	%
Commercial real estate	18	76	%	20	76	%
Consumer	3	100	%	3	100	%
Total loans excluding FDIC-supported loans	$572	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

	June 30, 2013			December 31, 2012		
(Amounts in millions)	Amount	Percent		Amount	Percent	
Real estate, rental and leasing	$2,871	14.3	%	$2,782	14.1	%
Manufacturing	2,198	10.9	%	1,999	10.1	%
Mining, quarrying and oil and gas extraction	2,062	10.2	%	1,992	10.1	%
Retail trade	1,670	8.3	%	1,661	8.4	%
Wholesale trade	1,540	7.6	%	1,521	7.7	%
Healthcare and social assistance	1,225	6.1	%	1,205	6.1	%
Transportation and warehousing	1,060	5.3	%	1,001	5.1	%
Finance and insurance	1,043	5.2	%	1,093	5.5	%
Professional, scientific and technical services	940	4.7	%	968	4.9	%
Construction	926	4.6	%	1,016	5.1	%
Accommodation and food services	784	3.9	%	786	4.0	%
Other [1]	3,816	18.9	%	3,739	18.9	%

Total	$20,135	100.0 %	$19,763	100.0 %

[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)		Collateral Location										
Loan Type	As of Date	Arizona	Northern California	Southern California	Nevada	Colorado	Texas	Utah/ Idaho	Washington	Other [1]	Total	% of total CRE
Commercial term												
Balance outstanding	6/30/2013	$1,188	$637	$2,124	$563	$494	$1,006	$935	$205	$819	$7,971	78.5
% of loan type		14.9 %	8.0 %	26.6 %	7.1%	6.2 %	12.6 %	11.7 %	2.6 %	10.3 %	100.0 %	
Delinquency rates [2]:												
30-89 days	6/30/2013	0.2 %	—	0.2 %	0.3 %	0.5 %	0.1 %	0.1 %	—	0.9 %	0.2 %	
	12/31/2012	0.2 %	0.1 %	0.1 %	0.2 %	—	0.1 %	0.2 %	1.3 %	1.6 %	0.3 %	
≥ 90 days	6/30/2013	0.1 %	0.8 %	0.3 %	0.4 %	—	0.5 %	0.1 %	—	1.6 %	0.4 %	
	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	6/30/2013	$—	$1	$2	$—	$—	$—	$—	$—	$—	$3	
	12/31/2012	—	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	6/30/2013	5	6	10	3	3	9	5	1	29	71	
	12/31/2012	10	9	19	14	11	8	4	3	47	125	
Residential construction and land development												
Balance outstanding	6/30/2013	$89	$50	$189	$1	$37	$220	$101	$5	$32	$724	7.1
% of loan type		12.3 %	6.9 %	26.1 %	0.1 %	5.1 %	30.4 %	14.0 %	0.7 %	4.4 %	100.0 %	
Delinquency rates [2]:												
30-89 days	6/30/2013	0.2 %	—	—	—	—	1.3 %	1.9 %	—	—	0.7 %	
	12/31/2012	0.6 %	1.0 %	0.4 %	10.7 %	4.9 %	7.9 %	0.2 %	—	—	3.1 %	
≥ 90 days	6/30/2013	0.8 %	—	0.1 %	—	0.2 %	5.3 %	—	—	—	1.8 %	
	12/31/2012	0.7 %	—	0.2 %	—	0.5 %	6.7 %	—	—	—	2.4 %	
Accruing loans past due 90 days or more	6/30/2013	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—	
	12/31/2012	—	—	—	—	—	1	—	—	—	1	
Nonaccrual loans	6/30/2013	3	—	—	—	—	23	1	—	—	27	

	12/31/2012	6	—	—	—	—	29	4	—	—	39	
Commercial construction and land development												
Balance outstanding	6/30/2013	$98	$60	$263	$92	$109	$398	$352	$29	$66	$1,467	14.4
% of loan type		6.7 %	4.1 %	17.9 %	6.3 %	7.4 %	27.1 %	24.0 %	2.0 %	4.5 %	100.0 %	
Delinquency rates [2]:												
30-89 days	6/30/2013	0.1 %	—	—	—	0.2 %	0.1 %	—	—	0.3 %	0.1 %	
	12/31/2012	2.4 %	—	—	27.9 %	0.4 %	2.0 %	2.3 %	—	7.3 %	3.1 %	
≥ 90 days	6/30/2013	—	2.0 %	—	—	—	1.1 %	—	8.4 %	—	0.6 %	
	12/31/2012	—	2.6 %	0.1 %	0.2 %	—	4.0 %	—	—	—	1.6 %	
Accruing loans past due 90 days or more	6/30/2013	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—	
	12/31/2012	—	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	6/30/2013	—	1	—	19	—	7	13	3	—	43	
	12/31/2012	—	1	—	22	—	29	14	3	—	69	
Total construction and land development	6/30/2013	$187	$110	$452	$93	$146	$618	$453	$34	$98	$2,191	
Total commercial real estate	6/30/2013	$1,375	$747	$2,576	$656	$640	$1,624	$1,388	$239	$917	$10,162	100.

[1]No other geography exceeds $112 million for all three loan types.
[2]Delinquency rates include nonaccrual loans.

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Approximately 16% of the CRE term loans consist of “mini-perm” loans as of June 30, 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 22% of the commercial construction and land development portfolio at June 30, 2013 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. Re-margining 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, re-margining 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 June 30, 2013 and 2012 and Zions' affiliates had 544 and 459 loans with an outstanding balance of $676 million and $488 million where available interest reserves amounted to $94

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million and $59 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.

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

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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 $303 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 upon completion of construction. As of June 30, 2013, approximately $28 million of these loans had refreshed FICO® scores of less than 620. These totals exclude held-for-sale loans. Stated income loans accounted for approximately $0.6 million, or 11%, of our net credit losses in 1-4 family residential first mortgage loans during the first six months of 2013. Most of the net credit losses in the 1-4 family residential first mortgage loans were incurred by NBAZ, while ZFNB had net recoveries on stated income loans that had been previously written off.

The Company is engaged in home equity credit line ("HECL") lending. At June 30, 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)	June 30, 2013		December 31, 2012	
Year of origination	Outstanding balance	Total commitments	Outstanding balance	Total commitments
2013	$65	$150		
2012	113	225	$117	$234
2011	84	164	97	182
2010	57	109	68	122
2009	58	117	65	125
2008	143	227	158	250
2007	173	275	189	295
2006 and prior	367	826	419	910
Total	$1,060	$2,093	$1,113	$2,118

Approximately 99% of the Company's HECL portfolio is still in the draw period, and approximately 42% 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 June 30, 2013 as compared to 0.27% and 0.31% at December 31, 2012 and June 30, 2012, respectively. During the first six months of 2013, the Company did not modify any home equity credit lines. The annualized credit losses for the HECL portfolio were 30 bps and 94 bps for the first six months of 2013 and 2012, respectively.

As of June 30, 2013, loans representing approximately 11% 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

	Percentage of HECL portfolio			
CLTV	June 30, 2013		December 31, 2012	
>100%	11	%	14	%
90-100%	8	%	9	%
80-89%	12	%	13	%
< 80%	69	%	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 1.57% at June 30, 2013, compared to 1.96% at December 31, 2012 and 2.52% at June 30, 2012.

Total nonaccrual loans, excluding FDIC-supported loans, at June 30, 2013 decreased by $115 million from December 31, 2012. The decrease is primarily due to a $54 million decrease in commercial real estate term loans, a $38 million decrease in construction and land development, and a $20 million decrease in owner occupied loans. The largest total decreases in nonaccrual loans occurred at Zions Bank, Amegy, and NSB.

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)	June 30, 2013		December 31, 2012	
Nonaccrual loans	$516		$631	
Other real estate owned	70		90	
Nonperforming lending-related assets, excluding FDIC-supported assets	586		721	
FDIC-supported nonaccrual loans	5		17	
FDIC-supported other real estate owned	11		8	
FDIC-supported nonperforming lending-related assets	16		25	
Total nonperforming lending-related assets	$602		$746	
Ratio of nonperforming lending-related assets to net loans and leases [1] and other real estate owned	1.57	%	1.96	%
Accruing loans past due 90 days or more, excluding FDIC-supported loans	$11		$10	
FDIC-supported loans past due 90 days or more	33		52	
Ratio of accruing loans past due 90 days or more to net loans and leases [1]	0.11	%	0.16	%
Nonaccrual loans and accruing loans past due 90 days or more	$565		$710	
Ratio of nonaccrual loans and accruing loans past due 90 days or more to net loans and leases [1]	1.47	%	1.87	%
Accruing loans past due 30 – 89 days, excluding FDIC-supported loans	$103		$185	
FDIC-supported loans past due 30 – 89 days	7		12	
Classified loans, excluding FDIC-supported loans	1,639		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 $123 million at June 30, 2013, $160 million at December 31, 2012, and $171 million at June 30, 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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Explanation of Responses:

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ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS

(In millions)	June 30, 2013	December 31, 2012
Restructured loans – accruing	$385	$407
Restructured loans – nonaccruing	163	216
Total	$548	$623

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2013	2012	2013	2012
Balance at beginning of period	$610	$678	$623	$744
New identified TDRs and principal increases	36	62	94	150
Payments and payoffs	(82)	(77)	(134)	(144)
Charge-offs	(4)	(4)	(7)	(13)
No longer reported as TDRs	—	(1)	(3)	(63)
Sales and other	(12)	(37)	(25)	(53)
Balance at end of period	$548	$621	$548	$621

Other Nonperforming Assets
In addition to the lending-related nonperforming assets, the Company had $141 million in fair value and $318 million in amortized cost of investments in debt securities (primarily bank and insurance company CDOs) that were on nonaccrual status at June 30, 2013 compared to $187 million and $471 million at December 31, 2012, and $139 million and $531 million at June 30, 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)	Six Months Ended June 30, 2013	Twelve Months Ended December 31, 2012	Six Months Ended June 30, 2012
Loans and leases outstanding (net of unearned income)	$38,188	$37,665	$36,962
Average loans and leases outstanding (net of unearned income)	$37,786	$37,037	$36,849
Allowance for loan losses:			
Balance at beginning of period	$896	$1,052	$1,052
Provision charged against earnings	(51)	14	27
Adjustment for FDIC-supported loans	(8)	(15)	(7)
Charge-offs:			
Commercial	(37)	(121)	(68)
Commercial real estate	(14)	(85)	(52)
Consumer	(19)	(61)	(34)
Total	(70)	(267)	(154)
Recoveries:			
Commercial	22	56	24
Commercial real estate	18	42	24
Consumer	7	14	7
Total	47	112	55
Net loan and lease charge-offs	(23)	(155)	(99)
Balance at end of period	$814	$896	$973
Ratio of annualized net charge-offs to average loans and leases	0.12%	0.42%	0.54%
Ratio of allowance for loan losses to net loans and leases, at period end	2.13%	2.38%	2.63%
Ratio of allowance for loan losses to nonperforming loans, at period end	156.23%	138.25%	122.68%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, at period end	144.04%	126.22%	108.96%

The total ALLL declined during the second quarter of 2013 due to 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 most portfolio segments and major geographic areas of our business during the second quarter of 2013, except for Amegy, which experienced loan growth. 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, due to continued economic uncertainty in our markets. Improvements in credit quality during the second quarter of 2013 were widespread geographically. 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 decreased by $2.7 million from December 31, 2012, and increased by $0.5 million from June 30, 2012. The balance of the reserve fluctuates based on the amount and credit quality of the unfunded lending commitments. See Note 5

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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.

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

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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 June 30, 2013, 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 June 30, 2013			
Repricing scenario	-100 bps	+100 bps	+200 bps	+300 bps
Fast	(2.9)%	7.2 %	15.4 %	23.9 %
Slow	(3.1)%	8.6 %	18.1 %	28.0 %

	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 June 30, 2013			
Repricing scenario	-100 bps	+100 bps	+200 bps	+300 bps
Fast	(1.3)%	2.5 %	5.3 %	8.2 %
Slow	(4.5)%	5.5 %	11.1 %	16.4 %

	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 second quarter of 2013, the two measures of MVE and income simulation collectively indicate minimal change in the interest rate risk profile of the company. Changes in MVE for +100 bp declined slightly (5.5% vs 5.9% in the Slow scenario) whereas simulated income sensitivity increased slightly (8.6% vs 7.9% in the Slow scenario). This divergence of behavior arises from the fact that MVE measures longer term interest rate risk over the life of the assets and liabilities whereas simulated income sensitivity measures near term interest rate risk. The decline in MVE can primarily be explained by the steepening interest rate curve which results in slower assumed prepayment of long term fixed rate assets and also shortens the assumed average life of sticky deposit types such as non-interest DDA. By contrast, the steeper interest rate curve raises forecasted short term interest rate which impacts the income simulation by pushing more floored loans off their current floors in a +100 bp rate shock.

During the first quarter of 2013, changes in interest rate sensitivity were primarily driven by changes in assumptions for demand deposits. After 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

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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.

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 second quarter of 2013, the after-tax increase in AOCI attributable to AFS and HTM securities was $32 million compared to $(3) million in the same prior-year period. The decrease attributable to cash flow interest rate swaps for the second quarters of 2013 and 2012 was $0.5 million and $2 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.

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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 the Parent and jointly by the Parent and bank management for its subsidiary banks.

Consolidated cash, interest-bearing deposits held as investments, and security resell agreements at the Parent and its subsidiaries was $9.4 billion at June 30, 2013 compared to $9.0 billion at March 31, 2013 and $10.8 billion at December 31, 2012. The decrease during the first six months of 2013 resulted primarily from (1) a decrease in deposits, (2) net loan originations, and (3) net long-term debt repayments. These decreases were partially offset by an increase in cash due to (1) the issuance of preferred stock and (2) net cash provided by operating activities.

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, interest-bearing deposits held as investments, and security resell agreements at the Parent increased to $1,218 million at June 30, 2013 from $958 million at March 31, 2013 and $653 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 a net repayment of long-term debt and the payment of common and preferred dividends.

During the first six months of 2013, the Parent received common dividends totaling $197.8 million and preferred dividends totaling $21.7 million from its subsidiary banks. Also, the Parent received cash of $50.0 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 six 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.

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 six months of 2013, except for Standard & Poor's outlook improved to stable from negative. 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 of the previously mentioned rating agencies, except Kroll, rate the Company's subordinated debt as noninvestment grade.

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During the first six 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 noncumulative perpetual preferred stock; proceeds net of commissions and fees were $169.0 million, (2) $126.2 million issuance of Series H fixed-rate noncumulative perpetual preferred stock; proceeds net of commissions and fees were $123.3 million, (3) $300.9 million issuance of Series I fixed/floating-rate noncumulative perpetual preferred stock; proceeds net of commissions and fees were $295.6 million, and (4) a total issuance of $368.7 million of unsecured senior notes with interest rates between 2.75% and 4.50% and maturities between May 2016 and June 2023; proceeds net of commissions and fees were $365.9 million.

The primary uses of cash in the capital markets during the first six months of 2013 were (1) the $285.0 million redemption of Zions Capital Trust B trust preferred securities (previously included in long-term debt), (2) the repurchase of $258.0 million of the Company’s 7.75% senior notes, and (3) the repayment of a $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 June 30, 2013, December 31, 2012, and June 30, 2012.
PARENT ONLY CONDENSED BALANCE SHEETS

(In thousands)	June 30, 2013	December 31, 2012	June 30, 2012
ASSETS			
Cash and due from banks	$1,217,835	$2,001	$2,510
Interest-bearing deposits	69	75,808	923,560
Security resell agreements	—	575,000	—
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value of $27,830, $22,112 and $17,704)	19,272	22,679	14,707
Available-for-sale, at fair value	551,056	461,665	395,226
Loans, net of unearned fees of $0, $0 and $0 and allowance for loan losses of $21, $23 and $0	1,279	1,277	—
Other noninterest-bearing investments	43,076	50,799	50,388
Investments in subsidiaries:			
Commercial banks and bank holding company	6,709,707	6,668,881	6,897,138
Other operating companies	35,245	36,516	43,732
Nonoperating – ZMFU II, Inc[1]	43,776	43,012	92,624
Receivables from subsidiaries:			
Other operating companies	5,000	—	20,000
Other assets	289,243	311,093	224,398
	$8,915,558	$8,248,731	$8,664,283
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other liabilities	$133,311	$106,159	$96,376
Commercial paper:			
Due to affiliates	—	—	45,995
Due to others	—	—	2,217
Other short-term borrowings:			
Due to affiliates	—	—	5
Due to others	—	4,951	4,946
Subordinated debt to affiliated trusts	15,464	309,278	309,278
Long-term debt:			
Due to affiliates	34	—	56
Due to others	1,906,417	1,776,274	1,713,439
Total liabilities	2,055,226	2,196,662	2,172,312
Shareholders' equity:			
Preferred stock	1,728,659	1,128,302	1,800,473
Common stock	4,167,828	4,166,109	4,157,525
Retained earnings	1,338,401	1,203,815	1,110,120
Accumulated other comprehensive loss	(374,556)	(446,157)	(576,147)
Total shareholders' equity	6,860,332	6,052,069	6,491,971
	$8,915,558	$8,248,731	$8,664,283

[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 six months of 2013 and 2012, the Parent's operating expenses included cash payments for interest of approximately $69 million and $57 million, respectively. Additionally, the Parent paid approximately $59 million and $76 million of dividends on preferred stock and common stock, respectively, for the same periods. Preferred stock dividends were lower in the first six months of 2013 compared to the first six months 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 June 30, 2013, maturities of the Company's long-term senior and subordinated debt ranged from February 2014 to June 2023.

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 96.7% of consolidated deposits at June 30, 2013 compared to 96.6% at both March 31, 2013 and December 31, 2012. On a consolidated basis, the Company's net loan to total deposit ratio was 84.8% as of June 30, 2013 compared to 84.9% as of March 31, 2013 and 81.6% as of December 31, 2012.

All deposit types decreased during the first six months of 2013, resulting in total deposits decreasing by $1.1 billion. Noninterest-bearing deposits decreased $0.7 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 June 30, 2013, the amount available for additional FHLB and Federal Reserve borrowings was approximately $15.1 billion. Loans with a carrying value of approximately $22.0 billion at June 30, 2013, $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. The Company had a de minimus amount of long-term borrowings outstanding with the FHLB at June 30, 2013 – approximately $23 million, which was essentially unchanged from the December 31, 2012 balance, and had no short-term FHLB or Federal Reserve borrowings outstanding, which also was unchanged from December 31, 2012. At June 30, 2013, March 31, 2013, and December 31, 2012, the subsidiary banks' total investment in FHLB stock was approximately $105 million, $106 million, and $109 million, respectively. The subsidiary bank's total investment in Federal Reserve stock was $121 million at June 30, 2013 compared to $123 million at both March 31, 2013 and December 31, 2012.

The Company's investment activities can provide or use cash, depending on the asset-liability management posture that is taken. For the first six months of 2013, investment securities' activities resulted in an increase in investment securities and a net $31 million decrease in cash compared with a decrease in investment securities and a net $103 million increase in cash for the first six months of 2012.

Maturing balances in our subsidiary banks' loan portfolios also provide additional flexibility in managing cash flows. Lending activity for the first six months of 2013 resulted in a net cash outflow of $632 million compared to a net cash inflow of $18 million for the first six months 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% noncumulative 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.

In 2014, the Company will be required to submit a capital plan under the Federal Reserve's CCAR process. The Company believes it must continue to make significant improvements to its internal stress testing, risk management, and related processes to meet the standards of the CCAR process required for 2014 capital planning, and is allocating significant resources to the successful implementation of these improvements.

As discussed in "Liquidity Risk Management," during the first six months of 2013, the Company issued three new series of Tier 1 capital qualifying noncumulative perpetual preferred stock totaling $598.9 million. Note 7 of the Notes to Consolidated Financial Statements provides further information on the Company's equity and debt transactions during the first six months of 2013.

Total controlling interest shareholders’ equity increased by 13.4% from $6,052 million at December 31, 2012 to $6,860 million at June 30, 2013. The increase in total controlling interest shareholders’ equity is primarily due to the total $598.9 million issuance of preferred stock, $193.7 million of net income applicable to controlling interest, and $73.1 million improvement in net unrealized losses on investment securities recorded in AOCI, partially offset by

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$59.3 million of dividends paid on preferred and common stock. The improvement in net unrealized losses on investment securities recorded in the first six months of 2013 was primarily a result of fair value increases in CDO securities, primarily in junior tranches, and were driven by rising short-term forward interest rates and improvements in credit spreads.

The Company paid $9.2 million in dividends on common stock during the first six months of 2013. During the second quarter of 2013 the Company increased its quarterly dividend on common stock to $0.04 per share per quarter. This was an increase from $0.01 per share per quarter paid during the last several years. During its July 2013 meeting, the Board of Directors declared a dividend of $0.04 per common share payable on August 29, 2013, to shareholders of record on August 22, 2013

The Company recorded preferred stock dividends of $50.0 million and $100.7 million during the first six months of 2013 and 2012, respectively. Preferred dividends for the first six months of 2012 include $54.2 million related to the TARP preferred stock, consisting of cash payments of $26.1 million and accretion of $28.1 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 six months of 2013, $1.2 million of subordinated debt was converted into preferred stock. As of June 30, 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 on and after September 15, 2013 and the Company has announced that it will redeem $590 million of the approximately $800 million outstanding Series C preferred stock on September 16, 2013 (see “Subsequent Events” for further information). As a result of this redemption, the applicable pro rata portion of the $126 million (approximately $93 million) will be reclassified into common equity. The Series C preferred stock will continue to be callable after September 16, 2013. As previously announced, Zions may redeem up to the remaining amount of its Series C preferred stock subject to first issuing an equivalent amount of new preferred shares. The last date on which the Company could announce any additional redemption of Series C preferred stock in the third quarter is August 15; any amounts not redeemed in the third quarter are subject to redemption in any future quarter, at the Company’s option. The following schedule shows the effect of the conversions on Tier 1 capital and outstanding convertible subordinated debt.

IMPACT OF CONVERTIBLE SUBORDINATED DEBT

	Three Months Ended				
(In millions)	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Preferred equity:					
Convertible subordinated debt converted to preferred stock	$0.2	$1.0	$4.2	$5.4	$50.2
Beneficial conversion feature reclassified from common to preferred stock	—	0.2	0.7	0.9	8.5
Change in preferred equity	0.2	1.2	4.9	6.3	58.7
Common equity:					
Accelerated convertible subordinated debt discount amortization, net of tax	(0.1)	(0.3)	(0.9)	(1.6)	(13.2)
	—	(0.2)	(0.7)	(0.9)	(8.5)

Beneficial conversion feature reclassified from common to preferred stock					
Change in common equity	(0.1)	(0.5)	(1.6)	(2.5)	(21.7)
Net impact on Tier 1 capital	$0.1	$0.7	$3.3	$3.8	$37.0
Convertible subordinated debt outstanding	$456.6	$456.8	$457.8	$462.0	$467.4

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Banking organizations are required under published regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. As of June 30, 2013, the Company's capital ratios were as follows:

CAPITAL RATIOS

	June 30, 2013	December 31, 2012	June 30, 2012
Tangible common equity ratio	7.57 %	7.09 %	6.91 %
Tangible equity ratio	10.78 %	9.15 %	10.35 %
Average equity to average assets (three months ended)	12.11 %	11.03 %	12.37 %
Risk-based capital ratios:			
Common equity Tier 1	10.03 %	9.80 %	9.78 %
Tier 1 leverage	11.75 %	10.96 %	12.31 %
Tier 1 risk-based	14.30 %	13.38 %	15.03 %
Total risk-based	15.94 %	15.05 %	16.89 %
Return on average common equity (three months ended)	4.35 %	2.91 %	4.71 %
Tangible return on average tangible common equity (three months ended)	5.73 %	4.07 %	6.41 %

At June 30, 2013, regulatory Tier 1 risk-based capital and total risk-based capital were $6,339 million and $7,064 million, compared to $5,884 million and $6,617 million at December 31, 2012, and $6,444 million and $7,245 million at June 30, 2012, respectively.

BASEL III

In July 2013, the FRB published final rules (the "New Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The FDIC and the OCC have adopted substantially identical rules (in the case of the FDIC, as interim final rules). The rules implement the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The New Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company, compared to the current U.S. risk-based capital rules. The New Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The New Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. The New Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules. The New Capital Rules are effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components).

The New Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) apply most deductions/adjustments to regulatory capital measures to CET1 and not to the other components of capital, thus potentially requiring higher levels of CET1 in order to meet minimum ratios, and (iv) expand the scope of the deductions/adjustments from capital as compared to existing regulations.

Under the New Capital Rules, the minimum capital ratios as of January 1, 2015 will be as follows:

- 4.5% CET1 to risk-weighted assets.

- 6.0% Tier 1 capital (i.e., CET1 plus Additional Tier 1) to risk-weighted assets.
- 8.0% Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets.
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

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When fully phased in on January 1, 2019, the New Capital Rules will also require the Company and its subsidiary banks to maintain a 2.5% “capital conservation buffer,” composed entirely of CET1, on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The New Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income, and significant investments in common equity issued by nonconsolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. The Company’s preliminary analysis indicates that application of this part of the rule should not result in any deductions from CET1. However, the Company estimates that the “Corresponding Deduction Approach” section of the Rules, separately applied to the Company’s significant concentration in investments in bank and insurance trust preferred collateralized debt obligations (“CDOs”) securities, would, if the Rules were phased in immediately, eliminate a significant portion of the Company’s non-common Tier 1 capital. However, this deduction will not begin until January 1, 2015 for the Company, and even after January 1, 2015, it will be phased-in in portions over time through the beginning of 2018, as indicated below. Thus, the impact may be mitigated prior to or during the phase-in period by repayment, determination of other than temporary impairment (“OTTI”), additional accumulation of retained earnings, and/or sales of the CDO securities.

Under current capital standards, the effects of AOCI items included in capital are excluded for purposes of determining regulatory capital ratios. Under the New Capital Rules, the effects of certain AOCI items are not excluded; however, non-advanced approaches banking organizations, including the Company and its subsidiary banks, may make a one-time permanent election as of January 1, 2014 to continue to exclude these items. The Company has not yet determined whether to make this election. The deductions and other adjustments to CET1 will be phased in incrementally between January 1, 2015 and January 1, 2018.

The New Capital Rules require that trust preferred securities be phased out from Tier 1 capital by the end of 2015, although for a banking organization, such as the Company, that has greater than $15 billion in total consolidated assets, but is not an advanced approaches banking organization, the New Capital Rules permit permanent inclusion of trust preferred securities issued prior to May 19, 2010 in Tier 2 capital regardless of whether they would meet the qualifications for Tier 2 capital.

With respect to the Company’s bank subsidiaries, the New Capital Rules also revise the “prompt corrective action” regulations pursuant to Section 38 of the Federal Deposit Insurance Act, by (i) introducing a CET1 ratio requirement at each capital quality level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) requiring a leverage ratio of 4% to be adequately capitalized (as compared to the current 3% leverage ratio for a bank with a composite supervisory rating of 1) and a leverage ratio of 5% to be well-capitalized. The New Capital Rules do not change the total risk-based capital requirement for any “prompt corrective action” category.

The New Capital Rules prescribe a standardized approach for calculating risk-weighted assets that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. Government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights

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for a variety of asset categories. In addition, the New Capital Rules also provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

The Company believes that, as of June 30, 2013, the Company and its bank subsidiaries would meet all capital adequacy requirements under the New Capital Rules on a fully phased-in basis if such requirements were currently effective including after giving effect to the deduction described above.

SUBSEQUENT EVENTS

On July 24, 2013, we announced our intent to redeem on September 16, 2013 $590 million of our 9.50% Series C Non-Cumulative Perpetual Preferred Stock. This redemption represents 590,000 shares, or 23.6 million depositary shares, at a redemption price of $25 per depositary share. The Federal Reserve did not object to the element of our capital plan, as of the latest modification on May 6, 2013, to redeem up to $800 million of our Series C preferred stock subject to issuing an equivalent amount of new preferred shares. At June 30, 2013, the entire outstanding amount of our Series C preferred stock was approximately $799.5 million.

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

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

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. In July 2013, the FRB published final rules establishing a new comprehensive capital framework for U.S. banking organizations, including the new CET1 capital measure. The new capital rules are effective for the Company on January 1, 2015; however, some key regulatory changes to the calculation of this measure are phased in over several years. The CET1 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. We present the calculation of key regulatory capital ratios, including CET1, using the governing definition at the end of each quarter, taking into account applicable phase-in rules.

Common equity Tier 1 capital is often expressed as a percentage of risk-weighted assets. Under the current risk-based capital framework applicable to the Company, 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

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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 Basel III calculations.

COMMON EQUITY TIER 1 CAPITAL (NON-GAAP)

(Amounts in millions)	June 30, 2013	December 31, 2012	June 30, 2012
Controlling interest shareholders' equity (GAAP)	$6,860	$6,052	$6,492
Accumulated other comprehensive loss	375	446	576
Nonqualifying goodwill and intangibles	(1,057)	(1,065)	(1,074)
Other regulatory adjustments	(2)	3	2
Qualifying trust preferred securities	163	448	448
Tier 1 capital (regulatory)	6,339	5,884	6,444
Qualifying trust preferred securities	(163)	(448)	(448)
Preferred stock	(1,729)	(1,128)	(1,800)
Common equity Tier 1 capital (non-GAAP)	$4,447	$4,308	$4,196
Risk-weighted assets (regulatory)	$44,327	$43,970	$42,891
Common equity Tier 1 capital to risk-weighted assets (non-GAAP)	10.03 %	9.80 %	9.78 %

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. 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).

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

(Amounts in thousands)	Three Months Ended June 30, 2013	December 31, 2012	June 30, 2012
Net earnings applicable to common shareholders (GAAP)	$55,385	$35,605	$55,215
Adjustments, net of tax:			
Impairment loss on goodwill	—	583	—
Amortization of core deposit and other intangibles	2,391	2,677	2,704
Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax (non-GAAP) (a)	$57,776	$38,865	$57,919
Average common equity (GAAP)	$5,102,082	$4,862,972	$4,713,318
Average goodwill	(1,014,129)	(1,014,986)	(1,015,129)
Average core deposit and other intangibles	(45,262)	(53,083)	(61,511)
Average tangible common equity (non-GAAP) (b)	$4,042,691	$3,794,903	$3,636,678
Number of days in quarter (c)	91	92	91
Number of days in year (d)	365	366	366
Tangible return on average tangible common equity (non-GAAP) (a/b/c*d)	5.73 %	4.07 %	6.41 %

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)	June 30, 2013	December 31, 2012	June 30, 2012
Total shareholders' equity (GAAP)	$6,860	$6,049	$6,489
Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(43)	(51)	(59)
Tangible equity (non-GAAP) (a)	5,803	4,984	5,415
Preferred stock	(1,729)	(1,128)	(1,800)
Noncontrolling interests	—	3	3
Tangible common equity (non-GAAP) (b)	$4,074	$3,859	$3,618
Total assets (GAAP)	$54,905	$55,512	$53,407
Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(43)	(51)	(59)
Tangible assets (non-GAAP) (c)	$53,848	$54,447	$52,333
Tangible equity ratio (a/c)	10.78 %	9.15 %	10.35 %
Tangible common equity ratio (b/c)	7.57 %	7.09 %	6.91 %

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.

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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 June 30, 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 June 30, 2013. There were no changes in the Company's internal control over financial reporting during the second 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
The Company has updated its risk factors included in Zions Bancorporation's 2012 Annual Report on Form 10-K with new information on Basel III included in the Capital Management section of Management's Discussion and Analysis and the additional risk factors set forth below:

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 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

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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.

We are making a significant investment to replace our core loan and deposit systems and to upgrade our accounting systems. The actual duration, cost, expected savings, and other factors to implement these initiatives may vary significantly from our estimates, which could materially affect the Company including its results of operations.
During the second quarter of 2013, our Board of Directors approved a significant investment by us to replace our loan and deposit systems and to upgrade our accounting systems. The new integrated system for most of our loans and deposits is expected to employ technology that is a significant improvement over our current systems. These initiatives will be completed in phases to allow for appropriate testing and implementation so as to minimize time delays and cost overruns. However, these initiatives are in the early stages of development and by their very nature, projections of duration, cost, expected savings, and related items are subject to change and significant variability.

We may encounter significant adverse developments in the completion and implementation of these initiatives. These may include significant time delays, cost overruns, and other adverse developments that could result in disruptions to our systems and adversely impact our customers.

We have plans, policies and procedures designed to prevent or limit the negative effect of these adverse developments. However, there can be no assurance that any such adverse developments will not occur or, if they do occur, that they will be adequately remediated. The occurrence of any adverse development could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could materially affect the Company including its results of operations in any given reporting period.

ZIONS BANCORPORATION AND SUBSIDIARIES

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
The following table summarizes the Company's share repurchases for the second 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
April	4,301	$24.64	—	$—
May	115,211	28.09	—	—
June	39,621	27.63	—	—
Second quarter	159,133	27.88	—	

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

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ZIONS BANCORPORATION AND SUBSIDIARIES

Exhibit Number	Description	
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	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	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series I Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock, dated May 17, 2013, incorporated by reference to Exhibit 3.1 of Form 8-K filed May 21, 2013.	*
3.17	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.	*
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).	
10.1	First amendment to the Zions Bancorporation Pension Plan, dated June 28, 2013 (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).	
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012, (ii) the Consolidated Statements of Income for the three months ended June 30, 2013 and June 30, 2012 and the six months ended June 30, 2013 and June 30, 2012, (iii) the Consolidated Statements of Comprehensive Income for the three months ended June 30, 2013 and June 30, 2012 and the six months ended June 30, 2013 and June 30, 2012, (iv) the Consolidated Statements of Changes in Shareholders’ Equity for the three months ended June 30, 2013 and June 30, 2012 and the six months ended June 30, 2013 and June 30, 2012, (v) the Consolidated Statements of Cash	

Flows for the three months ended June 30, 2013 and June 30, 2012 and the six months ended June 30, 2013 and June 30, 2012, and (vi) the Notes to Consolidated Financial Statements (filed herewith).

* Incorporated by reference

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ZIONS BANCORPORATION AND SUBSIDIARIES

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: August 6, 2013

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