Ryerson Holding Corp
Form 10-Q
May 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number 001-34735

RYERSON HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	26-1251524
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

227 W. Monroe St., 27th Floor

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 292-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

Yes No

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of April 29, 2019, there were 37,783,761 shares of Common Stock, par value $0.01 per share, outstanding.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In millions, except per share data)

	Three Months Ended March 31,	
	2019	2018
Net sales	$1,230.8	$941.3
Cost of materials sold	999.5	776.4
Gross profit	231.3	164.9
Warehousing, delivery, selling, general, and administrative	163.7	130.5
Restructuring and other charges	0.3	—
Operating profit	67.3	34.4
Other income and (expense), net	(0.8)	3.6
Interest and other expense on debt	(23.9)	(23.3)
Income before income taxes	42.6	14.7
Provision for income taxes	13.0	4.1
Net income	29.6	10.6
Less: Net income attributable to noncontrolling interest	0.1	0.2
Net income attributable to Ryerson Holding Corporation	$29.5	$10.4
Comprehensive income	$33.1	$9.6
Less: Comprehensive income attributable to noncontrolling interest	0.2	0.2
Comprehensive income attributable to Ryerson Holding Corporation	$32.9	$9.4
Basic earnings per share	$0.79	$0.28
Diluted earnings per share	$0.78	$0.28

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Three Months Ended March 31,	
	2019	2018
Operating activities:		
Net income	$29.6	$10.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14.2	11.5
Stock-based compensation	0.8	0.7
Deferred income taxes	11.9	3.0
Provision for allowances, claims, and doubtful accounts	1.3	1.2
Restructuring and other charges	0.3	—
Loss on retirement of debt	0.2	—
Non-cash (gain) loss from derivatives	(2.8)	0.8
Other items	0.3	(0.1)
Change in operating assets and liabilities:		
Receivables	(69.8)	(95.7)
Inventories	(69.5)	(62.0)
Other assets	1.0	6.3
Accounts payable	81.0	145.4
Accrued liabilities	(7.3)	18.3
Accrued taxes payable/receivable	(2.8)	0.6
Deferred employee benefit costs	(6.9)	(8.9)
Net adjustments	(48.1)	21.1
Net cash provided by (used in) operating activities	(18.5)	31.7
Investing activities:		
Capital expenditures	(11.3)	(7.6)
Proceeds from sale of property, plant, and equipment	8.5	0.1
Net cash used in investing activities	(2.8)	(7.5)
Financing activities:		
Repayment of debt	(11.8)	(0.1)
Net proceeds (repayments) of short-term borrowings	21.4	(12.4)
Net increase (decrease) in book overdrafts	12.5	(17.4)
Principal payments on finance lease obligations	(3.0)	(3.1)
Contingent payment related to acquisitions	(0.4)	—
Net cash provided by (used in) financing activities	18.7	(33.0)
Net decrease in cash, cash equivalents, and restricted cash	(2.6)	(8.8)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1.4	(0.9)
Net change in cash, cash equivalents, and restricted cash	(1.2)	(9.7)
Cash, cash equivalents, and restricted cash—beginning of period	24.3	78.5
Cash, cash equivalents, and restricted cash—end of period	$23.1	$68.8

Supplemental disclosures:		
Cash paid during the period for:		
Interest paid to third parties, net	$6.3	$3.9
Income taxes, net	3.2	0.6
Noncash investing activities:		
Asset additions under adoption of accounting principal ASC 842	82.3	—
Asset additions under operating leases	2.6	—
Asset additions under finance leases and sale-leasebacks	0.1	1.9
Asset additions under financing arrangements	—	0.3
Noncash financing activities:		
Short term debt converted to capital lease	7.6	—

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 22.0	$ 23.2
Restricted cash	1.1	1.1
Receivables less provisions of $3.6 in 2019 and $2.5 in 2018	590.4	521.0
Inventories	876.9	806.3
Prepaid expenses and other current assets	56.9	61.5
Total current assets	1,547.3	1,413.1
Property, plant, and equipment, at cost	839.4	838.4
Less: Accumulated depreciation	358.7	349.4
Property, plant, and equipment, net	480.7	489.0
Operating lease assets	79.9	—
Other intangible assets	56.3	58.1
Goodwill	120.3	120.3
Deferred charges and other assets	5.2	5.8
Total assets	$ 2,289.7	$ 2,086.3
Liabilities		
Current liabilities:		
Accounts payable	$ 483.5	$ 390.2
Salaries, wages, and commissions	39.7	66.6
Other accrued liabilities	95.1	77.0
Short-term debt	18.7	27.3
Current portion of operating lease liabilities	17.4	—
Current portion of deferred employee benefits	7.9	7.9
Total current liabilities	662.3	569.0
Long-term debt	1,137.8	1,126.0
Deferred employee benefits	250.7	258.4
Noncurrent operating lease liabilities	68.1	—
Other noncurrent liabilities	58.0	57.0
Total liabilities	2,176.9	2,010.4
Commitments and contingencies		
Equity		
Ryerson Holding Corporation stockholders' equity:		
Preferred stock, $0.01 par value; 7,000,000 shares authorized and no shares issued at 2019 and 2018	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 37,665,580 and 37,656,505 shares issued at 2019 and 2018, respectively	0.4	0.4
Capital in excess of par value	381.8	381.0

Retained earnings	46.7	14.2
Treasury stock at cost – Common stock of 212,500 shares in 2019 and 2018	(6.6)	(6.6)
Accumulated other comprehensive loss	(312.4)	(315.8)
Total Ryerson Holding Corporation stockholders' equity	109.9	73.2
Noncontrolling interest	2.9	2.7
Total equity	112.8	75.9
Total liabilities and equity	$ 2,289.7	$ 2,086.3

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation (“Ryerson Holding”), a Delaware corporation, is the parent company of Joseph T. Ryerson & Son, Inc. (“JT Ryerson”), a Delaware corporation. Affiliates of Platinum Equity, LLC (“Platinum”) own approximately 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock.

We are a leading value-added processor and distributor of industrial metals, with operations in the United States through JT Ryerson, in Canada through our indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation (“Ryerson Canada”), and in Mexico through our indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation (“Ryerson Mexico”). In addition to our North American operations, we conduct materials distribution operations in China through an indirect wholly-owned subsidiary, Ryerson China Limited (“Ryerson China”). Unless the context indicates otherwise, Ryerson Holding, JT Ryerson, Ryerson Canada, Ryerson China, and Ryerson Mexico together with their subsidiaries, are collectively referred to herein as “Ryerson,” “we,” “us,” “our,” or the “Company.”

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 are unaudited, but in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Impact of Recently Issued Accounting Standards—Adopted

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases” codified in Accounting Standards Codification (“ASC”) 842, “Leases” (“ASC 842”). The guidance in ASU 2016-02 and subsequently issued amendments requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. The amendment also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information.

We adopted the standard effective January 1, 2019 using the alternative modified retrospective transition method, which allows for application of the guidance at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period presented.

Adoption of the new standard resulted in the recording of operating lease assets and liabilities of $82.3 million and $87.6 million within our Condensed Consolidated Balance Sheet, respectively, as of January 1, 2019. As part of the adoption, we recorded an adjustment to retained earnings of $3.0 million related to the reassessment of a failed sale-leaseback under ASC 842. The standard had no impact on our Condensed Consolidated Statements of Comprehensive Income or our Condensed Consolidated Statements of Cash Flows. See Note 5: Leases for further details.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act ("U.S. Tax Act"). It also requires certain disclosures about stranded tax effects. However, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018 and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the U.S. Tax Act is recognized. Adoption of this standard had no impact on our Condensed Consolidated Financial Statements. We have elected not to reclassify stranded tax effects from accumulated other comprehensive income to retained earnings related to the U.S. Tax Act as the balances are not material to our consolidated financial statements.

Impact of Recently Issued Accounting Standards—Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments." The amendment requires financial assets measured at amortized cost basis to be presented at the net amount

expected to be collected, thus eliminating the probable initial recognition threshold and instead reflecting the current estimate of all expected credit losses. The amendment also requires that credit losses relating to available-for-sale debt securities be recorded through an allowance for credit losses rather than a write-down, thus enabling the ability to record reversals of credit losses in current period net income. The update is effective for interim and annual reporting periods beginning after December 15, 2019. An entity will apply the amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an-other-than-temporary impairment had been recognized before the effective date. The effect of the prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this update. Early adoption is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We will adopt this guidance for our fiscal year beginning January 1, 2020. We are still assessing the impact of adoption on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” The guidance amends the fair value measurement disclosures by modifying the disclosure requirements in Topic 820, Fair Value Measurement. The update is effective for interim and annual reporting periods beginning after December 15, 2019. The guidance allows for early adoption to remove or modify disclosures upon issuance of this amendment, and for delayed adoption of the additional disclosures until their effective date. We are still assessing the impact of adoption on our current fair value measurement disclosures.

In August 2018, the FASB issued ASU 2018-14, “Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.” The amendment removes certain employee benefit plan disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of certain disclosures, and adds certain disclosure requirements identified as relevant. The update is effective for annual reporting periods beginning after December 15, 2020 and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. We are still assessing the impact of adoption on our current employee benefit plans disclosures.

In August 2018, the FASB issued ASU 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the guidance requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted. We are still assessing the impact of adoption on our consolidated financial statements.

NOTE 3: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the beginning and ending cash balances shown in the Condensed Consolidated Statements of Cash Flows:

	March 31, 2019	December 31, 2018
	(In millions)	
Cash and cash equivalents	$22.0	$ 23.2
Restricted cash	1.1	1.1

Total cash, cash equivalents, and restricted cash	$23.1	$ 24.3

We have cash restricted for purposes of covering letters of credit that can be presented for potential insurance claims.

NOTE 4: INVENTORIES

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at March 31, 2019 and December 31, 2018 as follows:

	March 31, 2019	December 31, 2018
	(In millions)	
In process and finished products	$876.9	$ 806.3

If current cost had been used to value inventories, such inventories would have been $2 million lower and $18 million higher than reported at March 31, 2019 and December 31, 2018, respectively. Approximately 91% of inventories are accounted for under the LIFO method at March 31, 2019 and December 31, 2018. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the moving average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

The Company has consignment inventory at certain customer locations, which totaled $9.1 million and $9.3 million at March 31, 2019 and December 31, 2018, respectively.

NOTE 5: LEASES

The Company leases various assets including real estate, trucks, trailers, mobile equipment, processing equipment, and IT equipment. The Company has noncancelable operating leases expiring at various times through 2028, and finance leases expiring at various times through 2024.

Policy Elections & Practical Expedients

The Company has made an accounting policy election not to record leases with an initial term of 12 months or less ("short term leases") on the balance sheet as allowed within ASC 842. Short term lease expense is recognized on a straight-line basis over the lease term. The Company has elected to apply the practical expedient that allows for the combination of lease and non-lease components for all asset classes. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification for leases that existed at the transition date.

Significant Judgments

Many of the real estate leases include one or more options to renew, with renewal terms that can extend the lease term from one to 5 years or more. To determine the expected lease term, we include any noncancelable period within the lease agreement as well as any period covered by an option to extend the lease if we are reasonably certain to exercise the option. The equipment leases do not typically include options for renewal but do include options for purchase at the end of the lease. We determine the likelihood of exercising the option for purchase by assessing the option price versus the estimated fair value at the end of the lease term to determine if the option price is low enough that we are reasonably certain to exercise it. The depreciable life of finance lease assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Lease payments include fixed payments, the exercise price of a purchase option that is reasonably certain of exercise, variable payments based on a known index, and the amount probable that the Company will owe under a residual value guarantee. Variable lease payments that are not based on a known index are not included in lease payments and rather are expensed as incurred.

For discount rates that are used to determine the amount of right of use assets, lease liabilities, and lease classification, the Company uses the interest rate implicit in the lease when known. If the rate implicit in the lease is not known, the Company will use its incremental borrowing rate defined as the interest rate swap rate that approximates the lease term plus the long-term expected spread on the $1.0 billion revolving credit facility amended as of June 28, 2018 (the "Ryerson Credit Facility").

We sublease certain real estate to third parties for facilities that we have closed.

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The following table summarizes the location and amount of lease assets and lease liabilities reported in our Condensed Consolidated Balance Sheet as of March 31, 2019:

Leases	Balance Sheet Location	March 31, 2019 (In millions)
Assets		
Operating lease assets	Operating lease assets	$ 79.9
Finance lease assets	Property, plant, and equipment, net[(a)]	57.3
Total lease assets		$ 137.2
Liabilities		
Current		
Operating	Current portion of operating lease liabilities	$ 17.4
Finance	Other accrued liabilities	13.7
Noncurrent		
Operating	Noncurrent operating lease liabilities	68.1
Finance	Other noncurrent liabilities	25.9
Total lease liabilities		$ 125.1

(a) Finance lease assets are recorded net of accumulated amortization of $16.3 million as of March 31, 2019.

The following table summarizes the location and amount of lease expense reported in our Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2019:

Lease Expense	Location of Lease Expense Recognized in Income	Three Months Ended March 31, 2019 (In millions)
Operating lease expense	Warehousing, delivery, selling, general, and administrative	$ 5.6
Finance lease expense		
Amortization of lease assets	Warehousing, delivery, selling, general, and administrative	1.6
Interest on lease liabilities	Interest and other expense on debt	0.4
Variable lease expense	Warehousing, delivery, selling, general, and administrative	0.7
Short-term lease expense	Warehousing, delivery, selling, general, and administrative	0.5
Total lease expense		$ 8.8

The following table presents maturity analysis of lease liabilities at March 31, 2019:

Maturity of Lease Liabilities	Operating Leases[(a)]	Finance Leases	Total
		(In millions)	
2019	$ 15.4	$ 11.7	$27.1
2020	18.9	13.1	32.0
2021	16.7	8.3	25.0
2022	13.3	5.0	18.3
2023	10.4	2.7	13.1
After 2023	20.2	2.2	22.4
Total lease payments	94.9	43.0	137.9
Less: Interest[(b)]	(9.4)	(3.4)	(12.8)
Present value of lease liabilities[(c)]	$ 85.5	$ 39.6	$125.1

(a) There were no operating leases with options to extend lease terms that are reasonably certain of being exercised and the operating lease payments exclude $7.9 million of legally binding minimum lease payments for leases signed but not yet commenced.
(b) Calculated using the discount rate for each lease.
(c) Includes the current portion of $17.4 million for operating leases and $13.7 million for finance leases.

The following table shows the weighted-average remaining lease term and discount rate for operating and finance leases, respectively, at March 31, 2019:

Lease Term and Discount Rate	March 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	5.6
Finance leases	3.2
Weighted-average discount rate	
Operating leases	3.8 %
Finance leases	4.8 %

Other information reported in our Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2019 is summarized below:

	Three Months Ended March 31,

Other Information	2019 (In millions)
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 5.1
Operating cash flows from finance leases	0.4
Financing cash flows from finance leases	3.0
Assets obtained in exchange for lease obligations:	
Adoption of accounting principal ASC 842	82.3
Operating leases	2.6
Finance leases	0.1

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $120.3 million at March 31, 2019 and December 31, 2018. No additional goodwill was recognized during the first three months of 2019. Pursuant to ASC 350, “Intangibles – Goodwill and Other,” we review the recoverability of goodwill annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2018, and it was determined that no impairment existed.

Other intangible assets with finite useful lives continue to be amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

NOTE 7: ACQUISITIONS

On July 2, 2018 (“the acquisition date”) JT Ryerson purchased Central Steel & Wire Company (“CS&W”). CS&W is a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. We believe that the acquisition of CS&W will expand our long, tube, and plate portfolio. Our combined commercial, operational, and processing strengths will provide a broader and deeper array of products to our customers in the Midwest and Northeast United States. The fair value of the consideration totaled $163.5 million on the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	At July 2, 2018 (In millions)
Cash and cash equivalents	$ 10.0
Receivables, less provisions	80.0
Inventories	179.8
Prepaid expenses and other current assets	1.7
Property, plant, and equipment	66.5
Other intangible assets	16.1
Total identifiable assets acquired	354.1
Accounts payable	(49.7)
Salaries, wages, and commissions	(4.9)
Other accrued liabilities	(6.5)
Deferred income taxes	(27.7)
Deferred employee benefits	(31.8)
Total liabilities assumed	(120.6)
Net identifiable assets acquired	233.5
Bargain purchase gain	(70.0)
Total purchase price	$ 163.5

The Company used third-party valuation firms to estimate the fair values of property, plant, and equipment and intangible assets as well as to remeasure the deferred employee benefits liabilities. Inventory was valued by the Company using acquisition date fair values of the metals.

The fair value of accounts receivables acquired is $80.0 million, with a gross amount of $81.8 million. The Company expects $1.8 million to be uncollectible.

The $16.1 million of acquired intangible assets is related to a trademark acquired with a useful life of 10 years.

The transaction resulted in a bargain purchase gain primarily due to higher inventory and property, plant, and equipment fair values compared to book values. The Company believes that the bargain purchase gain was primarily the result of the decision by majority stockholders of CS&W to sell their interests as CS&W had been experiencing increasing net losses. The agreed upon purchase price reflected the fact the seller would have needed to incur significant costs on future integration initiatives and to upgrade their infrastructure and computer systems in order to restore CS&W to a profitable basis. With our existing nationwide service center operations, we believe that our infrastructure will allow the necessary operational improvements to be implemented more efficiently than the seller. The gain of $70.0 million was included in Other income and (expense), net in the Condensed Consolidated Statements

of Comprehensive Income in the second half of 2018. The Company recognized $1.6 million in acquisition-related fees, which was included in Warehousing, delivery, selling, general, and administrative expense in the Condensed Consolidated Statements of Comprehensive Income in the second half of 2018.

Included in the three-month period ended March 31, 2019 financial results is $172.2 million of revenue and $4.4 million of net income from CS&W.

The following unaudited pro forma information presents consolidated results of operations for the three months ended March 31, 2019 and 2018 as if the acquisition of CS&W on July 2, 2018 had occurred on January 1, 2018:

	Pro Forma Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net sales	$1,230.8	$1,112.4
Net income attributable to Ryerson Holding Corporation	29.5	6.7

On April 2, 2018, Ryerson Holding acquired Fanello Industries, LLC (“Fanello”), a privately owned metal service company located in Lavonia, Georgia. The acquisition is not material to our consolidated financial statements.

Pro forma information related to the acquisition of Fanello is not provided above as the impact on the Condensed Consolidated Statements of Comprehensive Income is not material.

NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(In millions)	
Ryerson Credit Facility	$558.3	$ 535.9
11.00% Senior Secured Notes due 2022	587.9	599.5
Foreign debt	18.7	19.5
Other debt	0.6	8.3
Unamortized debt issuance costs and discounts	(9.0)	(9.9)
Total debt	1,156.5	1,153.3
Less: Short-term foreign debt	18.7	19.5
Less: Other short-term debt	—	7.8
Total long-term debt	$1,137.8	$ 1,126.0

Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its $1.0 billion revolving credit facility (as amended, the “Old Credit Facility”), to reduce the total facility size from $1.0 billion to $750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021. The Old Credit Facility was amended a second time on June 28, 2018, to increase the facility size from $750 million to $1.0 billion.

At March 31, 2019, Ryerson had $558.3 million of outstanding borrowings, $12 million of letters of credit issued, and $411 million available under the Ryerson Credit Facility compared to $535.9 million of outstanding borrowings, $12

million of letters of credit issued, and $392 million available at December 31, 2018. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, is comprised of the aggregate value of all accounts directly created by a borrower (and in the case of Canadian accounts, the Canadian borrower) in the ordinary course of business arising out of the sale of goods or the rendering of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower (or guarantor, as applicable) does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower (or guarantor, as applicable). Eligible inventory, at any date of determination, is comprised of the net orderly liquidation value of all inventory owned by a borrower (and in the case of Canadian accounts, the Canadian borrower). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of $940 million to the Company's subsidiaries in the United States and an allocation of $60 million to Ryerson Holding's Canadian subsidiary that is a borrower. Amounts outstanding under the Ryerson Credit Facility bear interest at (i) a rate determined by reference to (A) the base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America, N.A.'s prime rate, and the one-month LIBOR rate plus 1.00%) or (B) a LIBOR rate or, (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds

Rate plus 0.50%, Bank of America-Canada Branch's "base rate" for commercial loans in U.S. Dollars made at its "base rate", and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch's "prime rate" for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers' acceptance rate plus 1.00%), or (C) the bankers' acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR for the bankers' acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%.

We attempt to minimize interest rate risk exposure through the utilization of interest rate swaps, which are derivative financial instruments. In March 2017, we entered into an interest rate swap to fix interest on $150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. The swap has reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 3.5% at March 31, 2019 and December 31, 2018.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivables, lockbox accounts, and related assets of the borrowers and the guarantors.

The Ryerson Credit Facility also contains covenants that, among other things, restrict Ryerson Holding and its restricted subsidiaries with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets, and acquisitions. The Ryerson Credit Facility also requires that, if availability under the Ryerson Credit Facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees, and other amounts due thereunder after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments, and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility could reject a borrowing request if any event, circumstance, or development has occurred that has had or could reasonably be expected to have a material adverse effect on the Company. If Ryerson Holding, JT Ryerson, any of the other borrowers, or any restricted subsidiaries of JT Ryerson becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Net proceeds of short-term borrowings that are reflected in the Condensed Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2022 Notes

On May 24, 2016, JT Ryerson issued $650 million in aggregate principal amount of the 2022 Notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 11.00% per annum. The 2022 Notes are fully and unconditionally guaranteed on a senior secured basis by all of our existing and future domestic subsidiaries that are co-borrowers or that have guarantee obligations under the Ryerson Credit Facility.

During 2018, a principal amount of $50.5 million of the 2022 Notes were repurchased for $52.2 million and retired. During the first three months of 2019, a principal amount of $11.6 million of the 2022 Notes were repurchased for $11.8 million and retired, resulting in the recognition of a $0.2 million loss within other income and (expense), net on the Condensed Consolidated Statement of Comprehensive Income.

The 2022 Notes and the related guarantees are secured by a first-priority security interest in substantially all of JT Ryerson's and each guarantor's present and future assets located in the United States (other than receivables, inventory, cash, deposit accounts and related general intangibles, certain other assets, and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson's and the Company's obligations under the Ryerson Credit Facility.

The 2022 Notes will be redeemable, in whole or in part, at any time on or after May 15, 2019 at certain redemption prices. The redemption price for the 2022 Notes if redeemed during the twelve months beginning (i) May 15, 2019 is 105.50%, (ii) May 15, 2020 is 102.75%, and (iii) May 15, 2021 and thereafter is 100.00%. JT Ryerson may redeem some or all of the 2022 Notes before May 15, 2019 at a redemption price of 100.00% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium. In addition, JT Ryerson may redeem up to 35% of the 2022 Notes before May 15, 2019 with respect to the 2022 Notes with the net cash proceeds from certain equity offerings at a price equal to 111.00%, with respect to the 2022 Notes, of the principal amount thereof, plus any accrued and unpaid interest, if any. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make investments, sell assets, engage in acquisitions, mergers, or consolidations, or create liens or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of cumulative net income since the issuance of the 2022 Notes, once prior losses are offset.

Foreign Debt

At March 31, 2019, Ryerson China's foreign borrowings were $18.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment. At December 31, 2018, Ryerson China's foreign borrowings were $19.5 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment.

Availability under the foreign credit lines was $27 million and $26 million at March 31, 2019 and December 31, 2018. Letters of credit issued by our foreign subsidiaries were $4 million and $3 million at March 31, 2019 and December 31, 2018, respectively.

NOTE 9: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit (credit) cost for the three months ended March 31, 2019 and 2018 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In millions)			
Components of net periodic benefit (credit) cost				
Service cost	$1	$—	$—	$ —
Interest cost	7	6	1	1
Expected return on assets	(9)	(10)	—	—
Recognized actuarial (gain) loss	4	4	(2)	(2)
Amortization of prior service credit	—	—	(1)	(1)
Net periodic benefit (credit) cost	$3	$—	$(2)	$ (2)

Components of net periodic benefit (credit) cost, excluding service cost, are included in Other income and (expense), net in our Condensed Consolidated Statement of Comprehensive Income.

The Company has contributed $6 million to the pension plan fund through the three months ended March 31, 2019 and anticipates that it will have a minimum required pension contribution funding of approximately $20 million for the remaining nine months of 2019.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In October 2011, the United States Environmental Protection Agency (the “EPA”) named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site (the “PHS Site”). On January 6, 2017, the EPA issued an initial Record of Decision (“ROD”) regarding the site. The ROD includes a combination of dredging, capping, and enhanced natural recovery that would take approximately thirteen years to construct plus additional time for monitored natural recovery, at an estimated present value cost of $1.05 billion. In a change to its prior stance, at a meeting on December 4, 2018, the EPA announced that it expects potentially responsible parties to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. It also expects allocation of amounts among the parties to be determined in the same time frame.

The EPA has stated that it is willing to consider de minimis and de micromis settlements, which JT Ryerson is trying to pursue; however, the EPA has not begun meeting with any parties, stating that it does not have sufficient information to determine if anyone meets the de minimis criteria and does not intend to begin those considerations until after the Remedial Design work is completed.

The EPA has not yet allocated responsibility for the contamination among the potentially responsible parties, including JT Ryerson. We do not currently have sufficient information available to us to determine whether the ROD will be executed as currently stated, whether and to what extent JT Ryerson may be held responsible for any of the identified contamination, and how much (if any) of the final plan’s costs might ultimately be allocated to JT Ryerson. Therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are various other claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at March 31, 2019 is not determinable but, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

NOTE 11: DERIVATIVES AND FAIR VALUE MEASUREMENTS

Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency risk, and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's floating-rate borrowings. We use foreign currency exchange contracts to hedge variability in cash flows when a payment currency is different from our functional currency. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts to reduce volatility in the price of these metals. We may also enter into natural gas and diesel fuel price swaps to manage the price risk of forecasted purchases of natural gas and diesel fuel.

We have a receive variable, pay fixed, interest rate swap to manage the exposure to variable interest rates of the Ryerson Credit Facility. In March 2017, we entered into a forward agreement for $150 million of "pay fixed" interest at 1.658%, "receive variable" interest to manage the risk of increasing variable interest rates. The interest rate reset dates and critical terms match the terms of our existing debt and anticipated critical terms of future debt under the Ryerson Credit Facility. The fair value of the interest rate swap as of March 31, 2019 was an asset of $1.0 million.

The Company currently does not account for its commodity and foreign exchange derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company accounts for its interest rate swap as a cash flow hedge of floating-rate borrowings with changes in fair value being recorded in accumulated other comprehensive income.

The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	March 31, 2019	December 31, 2018	Balance Sheet Location	March 31, 2019	December 31, 2018
	(In millions)					
Derivatives not designated as hedging instruments under ASC 815						
Metal commodity contracts	Prepaid expenses and other current assets	$ 1.6	$ 1.6	Other accrued liabilities	$ 3.6	$ 5.4

Crude oil contracts	Prepaid expenses and other current assets	0.9	—	Other accrued liabilities	—	—
Foreign exchange contracts	Prepaid expenses and other current assets	—	0.2	Other accrued liabilities	—	—
Derivatives designated as hedging instruments under ASC 815						
Interest rate swaps	Deferred charges and other assets	1.0	1.5	Other noncurrent liabilities	—	—
Total derivatives		$ 3.5	$ 3.3		$ 3.6	$ 5.4

The following table presents the volume of the Company's activity in derivative instruments as of March 31, 2019 and December 31, 2018:

Derivative Instruments	Notional Amount At March 31, 2019	At December 31, 2018	Unit of Measurement
Nickel swap contracts	377	1,541	Tons
Hot roll coil swap contracts	45,780	36,365	Tons
Aluminum swap contracts	30,369	42,419	Tons
Iron ore swap contracts	270,000	-	Tons
Crude oil swap contracts	114,000	-	Barrels
Foreign currency exchange contracts	2.6 million	4.5 million	U.S. dollars
Interest rate swap	150 million	150 million	U.S. dollars

The following table summarizes the location and amount of gains and losses on derivatives not designated as hedging instruments reported in our Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on I Three Months Ended March 31, 2019	2018
Metal commodity contracts	Cost of materials sold	$ 1.6	$ (0.4)
Crude oil contracts	Warehousing, delivery, selling, general, and administrative	0.9	-
Foreign exchange contracts	Other income and (expense), net	(0.1)	0.2
Total		$ 2.4	$ (0.2)

The following table summarizes the location and amount of gains and losses on derivatives designated as hedging instruments reported in our Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018:

Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Income into

Derivatives designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Income Three Months Ended March 31,	
		2019	2018
		(In millions)	
Interest rate swaps	Interest and other expense on debt	$ 0.3	$ —

As of March 31, 2019, the portion of the interest rate swap fair value that would be reclassified into earnings during the next 12 months as interest income is approximately $1.0 million.

Fair Value Measurements

To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

1. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.
2. Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
3. Level 3 – unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of March 31, 2019:

	At March 31, 2019		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$—	$ 1.6	$ —
Crude oil contracts	—	0.9	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	1.0	—
Total derivatives	$—	$ 3.5	$ —
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$—	$ 3.6	$ —

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2018:

	At December 31, 2018		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$ —	$ 1.6	$ —
Foreign exchange contracts	—	0.2	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	1.5	—
Total derivatives	$ —	$ 3.3	$ —
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$ —	$ 5.4	$ —

The fair value of each derivative contract is determined using Level 2 inputs and the market approach valuation technique, as described in ASC 820. The Company has various commodity derivatives to lock in nickel and zinc prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the London Metals Exchange for nickel and zinc on the valuation date. The Company also has commodity derivatives to lock in hot roll coil, iron ore, and aluminum prices for varying time periods. The fair value of hot roll coil, crude oil, iron ore, and aluminum derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the Chicago Mercantile Exchange (hot roll coil and crude oil), the Singapore Exchange, and the London Metals Exchange, respectively, for the commodity on the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge variability in cash flows when a payment currency is different from our functional currency. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and current market value at the end of the period. The Company estimates the current market value of foreign exchange contracts by obtaining month-end market quotes of foreign exchange rates and forward rates for contracts with similar terms. The Company uses the exchange rates provided by Reuters. Each commodity and foreign exchange contract term varies in the number of

months, but in general, contracts are between 3 to 12 months in length. The fair value of our interest rate swap is based on the sum of all future net present value cash flows for the fixed and floating leg of the swap. The future cash flows are derived based on the terms of our interest rate swap, as well as published discount factors, and projected forward LIBOR rates.

The carrying and estimated fair values of our financial instruments at March 31, 2019 and December 31, 2018 were as follows:

	At March 31, 2019		At December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$22.0	$22.0	$23.2	$23.2
Restricted cash	1.1	1.1	1.1	1.1
Receivables less provisions	590.4	590.4	521.0	521.0
Accounts payable	483.5	483.5	390.2	390.2
Long-term debt, including current portion	1,156.5	1,191.9	1,153.3	1,158.5

The estimated fair value of the Company’s cash and cash equivalents, receivables less provisions, and accounts payable approximate their carrying amounts due to the short-term nature of these financial instruments. The estimated fair value of the Company’s long-term debt and the current portions thereof is determined by using quoted market prices of Company debt securities (Level 2 inputs).

NOTE 12: STOCKHOLDERS’ EQUITY (DEFICIT), ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), AND NONCONTROLLING INTEREST

The following tables detail changes in these accounts for the three months ended March 31, 2019:

Ryerson Holding Corporation Stockholders' Equity (Deficit)										
						Accumulated Other Comprehensive Income (Loss)				
Common Stock		Treasury Stock		Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation	Benefit Plan Liabilities	Cash Flow Hedge-Interest Rate Swap	Non-controlling Interest	Total Equity
Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
(In millions, except shares in thousands)										

Balance at January 1, 2019	37,656	$ 0.4	213	$ (6.6)	$ 381.0	$ 14.2	$ (52.8)	$ (264.0)	$ 1.0	$ 2.7	$ 75.9
Net income	—	—	—	—	—	29.5	—	—	—	0.1	29.6
Foreign currency translation	—	—	—	—	—	—	2.9	—	—	0.1	3.0
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of $0.3	—	—	—	—	—	—	—	0.9	—	—	0.9
Adoption of accounting principal ASC 842, net of tax of $1.1	—	—	—	—	—	3.0	—	—	—	—	3.0
Stock-based compensation expense	10	—	—	—	0.8	—	—	—	—	—	0.8
Cash flow hedge - interest rate swap, net of tax of $0.1	—	—	—	—	—	—	—	—	(0.4)	—	(0.4)
Balance at March 31, 2019	37,666	$ 0.4	213	$ (6.6)	$ 381.8	$ 46.7	$ (49.9)	$ (263.1)	$ 0.6	$ 2.9	$ 112.8

The following tables detail changes in these accounts for the three months ended March 31, 2018:

	Ryerson Holding Corporation Stockholders' Equity (Deficit)						Accumulated Other Comprehensive Income (Loss)					
	Common Stock Shares	Common Stock Dollars	Treasury Stock Shares	Treasury Stock Dollars	Capital in Excess of Par Value Dollars	Accumulated Deficit Dollars	Foreign Currency Translation Dollars	Benefit Plan Liabilities Dollars	Unrealized Gain (Loss) on Equity Securities Dollars	Cash Flow Hedge-Interest Rate Swap Dollars	Non-controlling Interest Dollars	Total Equity Dollars
	(In millions, except shares in thousands)											
Balance at January 1, 2018	37,421	$ 0.4	213	$ (6.6)	$ 377.6	$ (95.1)	$ (41.6)	$ (246.3)	$ 1.0	$ 0.6	$ 2.6	$ (7.4)
Net income	—	—	—	—	—	10.4	—	—	—	—	0.2	10.6
Foreign currency translation	—	—	—	—	—	—	(1.4)	—	—	—	—	(1.4)
Foreign currency loss on intra-entity transactions	—	—	—	—	—	—	(1.3)	—	—	—	—	(1.3)
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of $0.3	—	—	—	—	—	—	—	1.0	—	—	—	1.0
Adoption of accounting principal ASU 2016-01	—	—	—	—	—	1.0	—	—	(1.0)	—	—	—
Adoption of accounting principal ASC 606, net of tax of $0.7	—	—	—	—	—	2.3	—	—	—	—	—	2.3
Stock-based compensation expense	—	—	—	—	0.7	—	—	—	—	—	—	0.7
Cash flow hedge - interest rate swap, net of tax of $0.5	—	—	—	—	—	—	—	—	—	0.7	—	0.7

Balance at March 31, 2018	37,421	$0.4	213	$(6.6)	$378.3	$(81.4)	$(44.3)	$(245.3)	$—	$1.3	$2.8	$5.2

The following table details changes in accumulated other comprehensive income (loss), net of tax, for the three months ended March 31, 2019:

	Changes in Accumulated Other Comprehensive Income (Loss) by Component, net of tax		
	Foreign Currency Translation	Benefit Plan Liabilities	Cash Flow Hedge - Interest Rate Swap
	(In millions)		
Balance at January 1, 2019	$(52.8)	$(264.0)	$1.0
Other comprehensive income (loss) before reclassifications	2.9	—	(0.2)
Amounts reclassified from accumulated other comprehensive income into net income	—	0.9	(0.2)
Net current-period other comprehensive income (loss)	2.9	0.9	(0.4)
Balance at March 31, 2019	$(49.9)	$(263.1)	$0.6

The following table details the reclassifications out of accumulated other comprehensive income (loss) for the three months ended March 31, 2019 and 2018:

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss) Amounts reclassified from Accumulated Other Comprehensive Income (Loss) Three Months Ended March 31, 2019	March 31, 2018	Affected line item in the Condensed Consolidated Statements of Comprehensive Income
	(In millions)		
Amortization of defined benefit pension and other post-retirement benefit plan items			
Actuarial loss	$1.9	$ 2.0	Warehousing, delivery, selling, general, and administrative
Prior service credits	(0.7)	(0.7)	Warehousing, delivery, selling, general, and administrative
Total before tax	1.2	1.3	
Tax benefit	(0.3)	(0.3)	
Net of tax	$0.9	$ 1.0	
Cash flow hedge - interest rate swap			
Realized swap interest loss	$(0.3)	$ —	Interest and other expense on debt
Tax benefit	(0.1)	—	
Net of tax	$(0.2)	$ —	

NOTE 13: REVENUE RECOGNITION

We are a leading metals service center that distributes and provides value-added processing of industrial metals with operations in the United States, Canada, Mexico, and China. We purchase large quantities of metal products from primary producers and sell these materials in smaller quantities to a wide variety of metals-consuming industries. More than 75% of the metals products sold are processed by us by burning, sawing, slitting, blanking, cutting to length, or other techniques.

Disaggregated Revenue

We have one operating and reportable segment, metals service centers.

The Company derives substantially all of its sales from the distribution of metals. The following table shows the Company’s percentage of sales by major product line:

	Three Months Ended March 31,	
Product Line	2019	2018
Carbon Steel Flat	25 %	27 %
Carbon Steel Plate	12	10
Carbon Steel Long	16	12
Stainless Steel Flat	15	17
Stainless Steel Plate	4	4
Stainless Steel Long	4	4
Aluminum Flat	15	16
Aluminum Plate	2	3
Aluminum Long	5	5
Other	2	2
Total	100 %	100 %

A significant majority of the Company’s sales are attributable to its U.S. operations. The only operations attributed to foreign countries relate to the Company’s subsidiaries in Canada, China, and Mexico. The following table summarizes consolidated financial information of our operations by geographic location based on where sales originated:

Net Sales	Three Months Ended March 31, 2019	2018
United States	$1,120.4	$835.3
Foreign countries	110.4	106.0
Total	$1,230.8	$941.3

Revenue is recognized either at a point in time or over time based on if the contract has an enforceable right to payment and the type of product that is being sold to the customer with products that are determined to have no alternative use being recognized over time. The following table summarizes revenues by the type of item sold:

Timing of Revenue Recognition	Three Months Ended March 31, 2019	2018
Revenue on products with an alternative use	87 %	90 %
Revenue on products with no alternative use	13	10
Total	100 %	100 %

Contract Balances

A receivable is recognized in the period in which an invoice is issued, which is generally when the product is delivered to the customer. Payment terms on invoiced amounts are typically 30 days from the invoice date. We do not have any contracts with significant financing components.

Receivables, which are included in accounts receivables within the Condensed Consolidated Balance Sheet, from contracts with customers were $594.0 million and $523.5 million as of March 31, 2019 and December 31, 2018, respectively.

Contract assets, which consist primarily of revenues recognized over time that have not yet been invoiced and estimates of the value of inventory that will be received in conjunction with product returns, are reported in prepaid expenses and other current assets within the Condensed Consolidated Balance Sheets. Contract liabilities, which consist primarily of accruals associated with amounts that will be paid to customers for volume rebates, cash discounts, sales returns and allowances, and estimates of shipping and handling costs associated with performance obligations recorded over time and bill and hold transactions are reported in other accrued liabilities within the Condensed Consolidated Balance Sheets. Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract Assets	Contract Liabilities
	(In millions)	
Beginning Balance at January 1, 2019	$16.6	$ 10.0
Satisfied contract liability from beginning of the period	—	(1.7)
Contract liability incurred during the period	—	2.1
Net contract assets and liabilities added for products with no alternative during the period	2.5	0.1
Changes to reserves	3.2	—
Ending Balance at March 31, 2019	$22.3	$ 10.5

The Company's performance obligations are typically short-term in nature. As a result, the Company has elected the practical expedient that provides an exemption of the disclosure requirements regarding information about remaining performance obligations on contracts that have original expected durations of one year or less.

NOTE 14: INCOME TAXES

For the three months ended March 31, 2019, the Company recorded income tax expense of $13.0 million compared to $4.1 million in the prior year. The $13.0 million tax expense for the three months ended March 31, 2019 primarily represents taxes at federal and local statutory rates where the Company operates, but generally excludes any tax benefit for losses in jurisdictions with historical losses.

In accordance with ASC 740, “Income Taxes,” the Company assesses the realizability of its deferred tax assets. The Company records a valuation allowance when, based upon the evaluation of all available evidence, it is more-likely-than-not that all or a portion of the deferred tax assets will not be realized. In making this determination, we analyze, among other things, our recent history of earnings, the nature and timing of reversing book-tax temporary differences, tax planning strategies, and future income. The Company maintains a valuation allowance on certain foreign and U.S. federal and state deferred tax assets until such time as in management’s judgment, considering all available positive and negative evidence, the Company determines that these deferred tax assets are more likely than not realizable. The valuation allowance is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of some or all of the valuation allowance. The valuation allowance was $29.3 million at March 31, 2019 and December 31, 2018.

The U.S. Tax Cuts and Jobs Act (the “Act”) subjects a U.S. shareholder to tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. After considering the two options, the Company has elected to provide for the tax expense related to GILTI in the year the tax will occur. For the quarter ended March 31, 2019, we have included $3.1 million of income tax expense related to GILTI as part of our tax provision.

NOTE 15: EARNINGS PER SHARE

Basic earnings per share attributable to Ryerson Holding’s common stock is determined based on earnings for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to Ryerson Holding’s common stock considers the effect of potential common shares, unless inclusion of the potential common shares would have an antidilutive effect.

The following table sets forth the calculation of basic and diluted earnings per share:

Basic and diluted earnings per share	Three Months Ended March 31, 2019	2018
	(In millions, except share and per share data)	
Numerator:		
Net income attributable to Ryerson Holding Corporation	$29.5	$10.4
Denominator:		
Weighted average shares outstanding	37,449,450	37,208,581
Dilutive effect of stock-based awards	391,013	329,979
Weighted average shares outstanding adjusted for dilutive securities	37,840,463	37,538,560
Earnings per share		
Basic	$0.79	$0.28
Diluted	$0.78	$0.28

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as "objectives," "goals," "preliminary," "range," "believes," "expects," "may," "estimates," "will," "should," "plans," or "anticipates" or the ne or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those anticipated or implied in the forward-looking statements as a result of various factors. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under "Special Note Regarding Forward-Looking Statements" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 filed on March 5, 2019 and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Industry and Operating Trends" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we caution you not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and related Notes thereto in Item 1, "Financial Statements" in this Quarterly Report on Form 10-Q and our Consolidated Financial Statements and related Notes thereto for the year ended December 31, 2018 in our Annual Report on Form 10-K filed on March 5, 2019.

Industry and Operating Trends

We are a metals service center providing value-added processing and distribution of industrial metals with operations in the United States, Canada, Mexico, and China. We purchase large quantities of metal products from primary producers and sell these materials in smaller quantities to a wide variety of metals-consuming industries. More than 75% of the metals products sold are processed by us by bending, beveling, blanking, blasting, burning, cutting-to-length, drilling, embossing, flattening, forming, grinding, laser cutting, machining, notching, painting, perforating, polishing, punching, rolling, sawing, scribing, shearing, slitting, stamping, tapping, threading, welding, or other techniques to process materials to a specified thickness, length, width, shape, and surface quality pursuant to specific customer orders.

Similar to other metals service centers, we maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon customer forecasts, historic buying practices, supply agreements with customers, mill lead times, and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. At the request of our customers, we have entered into swaps in order to mitigate our customers' risk of volatility in the price of metals and we have entered into metals hedges to mitigate our own risk of volatility in the price of metals. We have no long-term, fixed-price metals purchase contracts. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and earnings as we sell existing metals inventory. When metals prices increase, competitive conditions will influence how much of the price increase we may pass on to our customers.

The metals service center industry is cyclical and volatile in both pricing and demand, and therefore difficult to predict. In the first quarter of 2019, Ryerson experienced improved pricing with weaker demand when viewed against the prior year period. Ryerson's average selling prices were 11 percent higher in the first quarter of 2019 compared to

the first quarter of 2018 primarily due to the impact of higher metal commodity prices in 2018. Changes in commodity metals prices typically impact Ryerson's selling prices over the subsequent three to six-month period.

According to the Metal Service Center Institute, North American service center volumes decreased by 6.4% compared to the year-ago period. However, on a North American, same store basis, Ryerson's tons sold declined by only 1.7% leading to market share gains during the quarter. Same store metrics exclude the results of our acquisition of Central Steel & Wire Company ("CS&W) in July 2018. With regards to end markets, Ryerson's tons sold grew for commercial ground transportation and metal fabrication and machine shop sectors in the first quarter of 2019 compared to the prior year period on a same-store basis, partially offset by decreases in the food and agricultural equipment and oil and gas sectors.

Recent Industry Developments

On March 1, 2018, the White House announced a 25% tariff on all imported steel products and 10% tariff on all imported aluminum products for an indefinite amount of time under Section 232 of the Trade Expansion Act. Subsequently, the White House announced steel quotas, in lieu of tariffs, with South Korea. On May 1, 2018, the White House further announced agreements-in-principle with Argentina, Australia, and Brazil for permanent exemptions from the tariffs in exchange for export quotas or voluntary

export restraints, with the exception of Australia which has not agreed to quotas at the time of this release. In August 2018, steel tariffs were increased to 50% for Turkey to offset inflation in the Turkish Lira.

Further trade actions announced by the U.S. under Section 301 of the Trade Act of 1974 imposed a 25% additional duty on $34 billion worth of Chinese imports effective July 6, 2018, and imposed a second round of 25% tariffs on $16 billion in goods on August 7, 2018. In September 2018, the U.S. imposed a 10% tariff on $200 billion in additional Chinese imported goods. Ryerson expects upward price pressure on metal products in the U.S. to the extent the Section 232 tariffs or other trade actions remain enacted with U.S. trading partners.

Foreign administrations have responded to the trade actions imposed by the U.S. with trade actions in kind, adding further uncertainty to U.S. pricing and supply conditions.

2018 Acquisition

On July 2, 2018 (“the acquisition date”) JT Ryerson purchased CS&W. CS&W is a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. CS&W expanded our long, tube, and plate portfolio. Our combined commercial, operational, and processing strengths will provide a broader and deeper array of products to our customers in the Midwest and Northeast United States. The fair value of the consideration totaled $163.5 million on the acquisition date. Included in the first three months of 2019 financial results is $172.2 million of revenue and $4.4 million of net income from CS&W.

Components of Results of Operations

We generate substantially all of our revenue from sales of our metals products. The majority of revenue is recognized upon delivery of product to customers. The timing of shipment is substantially the same as the timing of delivery to customers given the proximity of our distribution sites to our customers. Revenues associated with products which we believe have no alternative use, and where the Company has an enforceable right to payment, are recognized on an over-time basis. Over-time revenues are recorded in proportion with the progress made toward completing the performance obligation.

Sales, cost of materials sold, gross profit, and operating expense control are the principal factors that impact our profitability.

Net sales. Our sales volume and pricing are driven by market demand, which is largely determined by overall industrial production and conditions in the specific industries in which our customers operate. Sales prices are also primarily driven by market factors such as overall demand and availability of product. Our net sales include revenue from product sales, net of returns, allowances, customer discounts, and incentives.

Cost of materials sold. Cost of materials sold includes metal purchase and in-bound freight costs, third-party processing costs, and direct and indirect internal processing costs. The cost of materials sold fluctuates with our sales volume and our ability to purchase metals at competitive prices. Increases in sales volume generally enable us to improve purchasing leverage with suppliers, as we buy larger quantities of metals inventories.

Gross profit. Gross profit is the difference between net sales and the cost of materials sold. Our sales prices to our customers are subject to market competition. Achieving acceptable levels of gross profit is dependent on our acquiring metals at competitive prices, our ability to manage the impact of changing prices, and efficiently managing our internal and external processing costs.

Operating expenses. Optimizing business processes and asset utilization to lower fixed expenses such as employee, facility, and truck fleet costs, which cannot be rapidly reduced in times of declining volume, and maintaining a low fixed cost structure in times of increasing sales volume, have a significant impact on our profitability. Operating expenses include costs related to warehousing and distributing our products as well as selling, general, and administrative expenses.

Results of Operations—Comparison of Three Months Ended March 31, 2019 to Three Months Ended March 31, 2018

The following table sets forth our condensed consolidated statements of income data for the three-month periods ended March 31, 2019 and 2018:

	Three Months Ended March 31,			
	2019		2018	
	$	% of Net Sales	$	% of Net Sales
	($ in millions)			
Net sales	$1,230.8	100.0%	$941.3	100.0%
Cost of materials sold	999.5	81.2	776.4	82.5
Gross profit	231.3	18.8	164.9	17.5
Warehousing, delivery, selling, general, and administrative expenses	163.7	13.3	130.5	13.8
Restructuring and other charges	0.3	—	—	—
Operating profit	67.3	5.5	34.4	3.7
Other expenses	(24.7)	(2.0)	(19.7)	(2.1)
Income before income taxes	42.6	3.5	14.7	1.6
Provision (benefit) for income taxes	13.0	1.1	4.1	0.5
Net income	29.6	2.4	10.6	1.1
Less: Net income attributable to noncontrolling interest	0.1	—	0.2	—
Net income attributable to Ryerson Holding Corporation	$29.5	2.4%	$10.4	1.1%
Basic earnings per share	$0.79		$0.28	
Diluted earnings per share	$0.78		$0.28	

Net sales

The following table shows our percentage of sales revenue by major product lines for the first quarter of 2019 and 2018:

	Three Months Ended March 31,	
Product Line	2019	2018
Carbon Steel Flat	25%	27%
Carbon Steel Plate	12	10
Carbon Steel Long	16	12
Stainless Steel Flat	15	17
Stainless Steel Plate	4	4
Stainless Steel Long	4	4
Aluminum Flat	15	16
Aluminum Plate	2	3
Aluminum Long	5	5

Other	2	2
Total	100 %	100 %

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	Three Months Ended March 31,		Dollar change	Percentage change
	2019	2018		
	($ in millions)			
Net sales	$1,230.8	$941.3	$289.5	30.8 %
Net sales, same store	$1,058.6	$941.3	$117.3	12.5 %

	Three Months Ended March 31,		Tons change	Percentage change
	2019	2018		
	(in thousands)			
Tons sold	619	526	93	17.7 %
Tons sold, same store	523	526	(3)	(0.6)%

	Three Months Ended March 31,		Price change	Percentage change
	2019	2018		
Average selling price per ton sold	$1,988	$1,790	$198	11.1 %
Average selling price per ton sold, same store	$2,024	$1,790	$234	13.1 %

Revenue for the first quarter of 2019 increased from the first quarter of 2018 due to higher average selling prices reflecting higher metal commodity prices and higher tons sold due to the acquisition of CS&W on July 2, 2018. Excluding CS&W (same-store results), average selling price increased for all of our product lines in the three-month period ended March 31, 2019 with the largest increases in our carbon plate, aluminum plate, and aluminum flat products. Excluding CS&W, tons sold decreased slightly in the first quarter of 2019 compared to the first quarter of 2018, with decreases in shipments of our aluminum plate and carbon plate offset by increases in shipments of carbon long, stainless plate, and stainless long product lines.

Cost of materials sold

	Three Months Ended March 31,					
	2019		2018			
	$	% of Net Sales	$	% of Net Sales	Dollar change	Percentage change
	($ in millions)					
Cost of materials sold	$999.5	81.2 %	$776.4	82.5 %	$223.1	28.7 %

	Three Months Ended March 31,		Cost change	Percentage change
	2019	2018		
Average cost of materials sold per ton sold	$1,614	$1,477	$ 137	9.3 %

The increase in cost of materials sold in the first quarter of 2019 compared to the first quarter of 2018 is primarily due to an increase in average cost of materials sold per ton and the increase in tons sold. Excluding CS&W, the average cost of materials sold increased across all product lines with the average cost of materials sold for our carbon plate, carbon long, and aluminum plate product lines increasing more than our other products during the first three months of 2019. During the first quarter of 2019, LIFO income was $20.1 million compared to LIFO expense of $13.3 million in the first quarter of 2018.

Gross profit

	Three Months Ended March 31,					
	2019		2018			
	$	% of Net Sales	$	% of Net Sales	Dollar change	Percentage change
	($ in millions)					
Gross profit	$231.3	18.8%	$164.9	17.5%	$ 66.4	40.3 %

Gross profit increased in the first quarter of 2019 compared to the first quarter of 2018 due to the increases in average selling price as well as the acquisition of CS&W. While our cost of materials sold per ton increased in the three-month period ended March 31, 2019 as compared to the first three months of 2018, revenue per ton increased at a faster pace resulting in higher gross margins.

Operating expenses

	Three Months Ended March 31,					
	2019		2018			
	$	% of Net Sales	$	% of Net Sales	Dollar change	Percentage change
	($ in millions)					
Warehousing, delivery, selling, general, and administrative expenses	$163.7	13.3%	$130.5	13.8%	$ 33.2	25.4 %
Warehousing, delivery, selling, general, and administrative expenses, same-store	$132.7	12.5%	$130.5	13.8%	$ 2.2	1.7 %
Restructuring and other charges	$0.3	—	$—	—	$ 0.3	—

Total operating expenses increased in the first quarter of 2019 compared to the first quarter of 2018 primarily due to the acquisition of CS&W on July 2, 2018, which increased operating expenses by $31.0 million excluding restructuring charges, as well as higher employment levels and general inflationary factors, which caused higher facility expenses of $1.8 million, primarily caused by higher rent and depreciation expense, higher delivery costs of $1.0 million, higher employee benefit expenses of $0.8 million, higher consultant fees of $0.7 million, and higher salaries and wages of $0.5 million, partially offset by lower incentive bonus accruals of $3.4 million. The restructuring charge of $0.3 million in the first quarter of 2019 is related primarily to severance costs for corporate staff reductions. The decrease in our operating expenses as a percentage of sales over the three-month period ended March 31, 2019 is due to our higher sales levels resulting from higher metals pricing and demand.

Operating profit

Three Months Ended March 31,					
2019		2018			
$	% of Net Sales	$	% of Net Sales	Dollar change	Percentage change
($ in millions)					

Operating profit	$67.3	5.5 %	$34.4	3.7 %	$ 32.9	95.6 %

Our operating profit increased in the first quarter of 2019 compared to the first quarter of 2018, primarily due to higher gross margins and achieving expense leverage as revenues increased.

Other expenses

	Three Months Ended March 31,					
	2019		2018			
	$	% of Net Sales	$	% of Net Sales	Dollar change	Percentage change
	($ in millions)					
Interest and other expense on debt	$(23.9)	(1.9)%	$(23.3)	(2.5)%	$ (0.6)	2.6 %
Other income and (expense), net	$(0.8)	(0.1)%	$3.6	0.4 %	$ (4.4)	(122.2)%

Interest and other expense on debt increased in the first quarter of 2019 compared to the first quarter of 2018, primarily due to a higher level of credit facility borrowings outstanding resulting from the acquisition of CS&W on July 2, 2018, from increased working capital requirements, and higher interest rates on credit facility borrowings in the three-month period of 2019, partially offset by a $62.1 million decrease in the outstanding amount of our 11.00% Notes due in 2022 (the "2022 Notes"). The other expense in the first quarter of 2019 includes $0.6 million of foreign currency losses. The other income in the first quarter of 2018 was primarily related to $2.0 million of foreign currency gains and a $1.7 million credit from net periodic benefit cost other than service cost.

Provision for income taxes. In the first quarter of 2019, the Company recorded income tax expense of $13.0 million compared to $4.1 million in the first quarter of 2018. The income tax expense recorded in all periods primarily represent taxes at federal and local statutory rates where the Company operates, but generally exclude any tax benefit for losses in jurisdictions with historical losses.

Earnings per share. Basic earnings per share was $0.79 in the first quarter of 2019 compared to $0.28 in the first three months of 2018. Diluted earnings per share was $0.78 in the first quarter of 2019 compared to $0.28 in the first three months of 2018. The changes in earnings per share are due to the results of operations discussed above.

Liquidity

Our primary sources of liquidity are cash and cash equivalents, cash flows from operations, and borrowing availability under the $1.0 billion revolving credit facility (the "Ryerson Credit Facility") that matures on November 16, 2021. Its principal source of operating cash is from the sale of metals and other materials. Its principal uses of cash are for payments associated with the procurement and processing of metals and other materials inventories, costs incurred for the warehousing and delivery of inventories, and the selling and administrative costs of the business, capital expenditures, and for interest payments on debt.

The following table summarizes the Company's cash flows:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	

Net cash provided by (used in) operating activities	$(18.5)	$31.7
Net cash used in investing activities	(2.8)	(7.5)
Net cash provided by (used in) financing activities	18.7	(33.0)
Effect of exchange rates on cash and cash equivalents	1.4	(0.9)
Net decrease in cash and cash equivalents	$(1.2)	$(9.7)

We had cash and cash equivalents of $22.0 million at March 31, 2019, compared to $23.2 million at December 31, 2018. We had $1,157 million and $1,153 million of total debt outstanding at March 31, 2019 and December 31, 2018, respectively, and a debt-to-capitalization ratio of 91% at March 31, 2019 and 94% at December 31, 2018. We had total liquidity (defined as cash and cash equivalents, marketable securities, and availability under the Ryerson Credit Facility and foreign debt facilities, less qualified cash pledged as collateral) of $460 million at March 31, 2019 versus $441 million at December 31, 2018. Total liquidity is not a U.S. generally accepted accounting principles (“GAAP”) financial measure. We believe that total liquidity provides additional information for measuring our ability to fund our operations. Total liquidity does not represent, and should not be used as a substitute for, net income or cash flows from operations as determined in accordance with GAAP and total liquidity is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements.

Below is a reconciliation of cash and cash equivalents to total liquidity:

	March 31, 2019	December 31, 2018
	(In millions)	
Cash and cash equivalents	$22	$ 23
Availability under Ryerson Credit Facility and foreign debt facilities	438	418
Total liquidity	$460	$ 441

Of the total cash and cash equivalents, as of March 31, 2019, $9.5 million was held in subsidiaries outside the United States which is deemed to be permanently reinvested. Ryerson does not currently foresee a need to repatriate earnings from its non-U.S. subsidiaries. Although Ryerson has historically satisfied needs for more capital in the U.S. through debt or equity issuances, Ryerson could elect to repatriate earnings held in foreign jurisdictions, which could result in higher effective tax rates. We have not recorded a deferred tax liability for the effect of a possible repatriation of these earnings as management intends to permanently reinvest these earnings outside of the U.S. Specific plans for reinvestment include funding for future international acquisitions and funding of existing international operations.

Operating activities. Net cash used in operating activities of $18.5 million in the first three months of 2019 was primarily due to an increase in accounts receivable of $69.8 million resulting from higher sales levels at the end of the first quarter of 2019 compared to year-end 2018 and an increase in inventory of $69.5 million as tons in inventory increased to support higher sales in the first three months of 2019 compared to year-end 2018. Partially offsetting the cash outflows was an increase in accounts payable of $81.0 million due to a higher level of material purchases at the end of the first quarter of 2019 compared to year-end 2018, net income in the first three months of 2019 of $29.6 million, and non-cash depreciation and amortization expense of $14.2 million. Net cash provided by operating activities of $31.7 million in the first three months of 2018 was primarily due to an increase in accounts payable of $145.4 million resulting from a higher level of material purchases at the end of the first quarter of 2018 compared to year-end 2017, an increase in accrued liabilities of $18.3 million, non-cash depreciation and amortization expense of $11.5 million, and net income in the first quarter of 2018 of $10.6 million. Partially offsetting the cash inflows were an increase in accounts receivable of $95.7 million resulting from higher sales levels in the first quarter of 2018 compared to year-end 2017 and an increase in inventory of $62.0 million as the value of inventory and the tons in inventory both increased as economic conditions in the metals market improved in the first three months of 2018.

Investing activities. Capital expenditures during the first three months of 2019 totaled $11.3 million compared to $7.6 million in the first three months of 2018. The Company sold property, plant, and equipment and assets held for sale generating cash proceeds of $8.5 million and $0.1 million during the first three months of 2019 and 2018, respectively.

Financing activities. Net cash provided by financing activities in the first three months of 2019 was $18.7 million compared to net cash used in financing activities of $33.0 million in the first three months of 2018. Net cash provided by financing activities in the first three months of 2019 was primarily related to an increase in credit facility borrowings of $21.4 million, primarily to fund higher working capital requirements, and an increase in book overdrafts of $12.5 million, partially offset by repurchases of $11.8 million of our 2022 Notes. Net cash used in financing activities in the first three months of 2018 was primarily related to a decrease in book overdrafts of $17.4 million and a decrease in credit facility borrowings of $12.4 million.

Capital Resources

We believe that cash flow from operations and proceeds from the Ryerson Credit Facility will provide sufficient funds to meet our contractual obligations and operating requirements in the normal course of business.

As a result of the net cash used in operating activities in the first three months of 2019, total debt in the Condensed Consolidated Balance Sheets in the first three months of 2019 increased to $1,156.5 million at March 31, 2019 from $1,153.3 million at December 31, 2018.

Total debt outstanding as of March 31, 2019 consisted of the following amounts: $558.3 million borrowings under the Ryerson Credit Facility, $587.9 million under the 2022 Notes, $18.7 million of foreign debt, and $0.6 million of other debt, less $9.0 million of unamortized debt issuance costs. Discussion of each of the significant borrowings follows.

Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its $1.0 billion revolving credit facility (as amended, the "Old Credit Facility"), to reduce the total facility size from $1.0 billion to $750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021. On June 28, 2018, Ryerson entered into a second amendment with respect to the Old Credit

Facility to increase the facility size from $750 million to $1.0 billion (the Old Credit Facility as amended, the "Ryerson Credit Facility").

At March 31, 2019, Ryerson had $558.3 million of outstanding borrowings, $12 million of letters of credit issued and $411 million available under the Ryerson Credit Facility compared to $535.9 million of outstanding borrowings, $12 million of letters of credit issued, and $392 million available at December 31, 2018. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, is comprised of the aggregate value of all accounts directly created by a borrower (and in the case of Canadian accounts, the Canadian borrower) in the ordinary course of business arising out of the sale of goods or the rendering of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower (or guarantor, as applicable) does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower (or guarantor, as applicable). Eligible inventory, at any date of determination, is comprised of the net orderly liquidation value of all inventory owned by a borrower (and in the case of Canadian accounts, the Canadian borrower). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of $940 million to the Company's subsidiaries in the United States and an allocation of $60 million to Ryerson Holding's Canadian subsidiary that is a borrower. Amounts outstanding under the Ryerson Credit Facility bear interest at (i) a rate determined by reference to (A) the base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America, N.A.'s prime rate, and the one-month LIBOR rate plus 1.00%) or (B) a LIBOR rate or, (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds Rate plus 0.50%, Bank of America-Canada Branch's "base rate" for commercial loans in U.S. Dollars made at its "base rate", and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch's "prime rate" for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers' acceptance rate plus 1.00%), or (C) the bankers' acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR for the bankers' acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%.

We attempt to minimize interest rate risk exposure through the utilization of interest rate swaps, which are derivative financial instruments. In March 2017, we entered into an interest rate swap to fix interest on $150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. The swap has reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 3.5% at March 31, 2019 and December 31, 2018.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivables, lockbox accounts, and related assets of the borrowers and the guarantors.

The Ryerson Credit Facility also contains covenants that, among other things, restrict Ryerson Holding and its restricted subsidiaries with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets, and acquisitions. The Ryerson Credit Facility also requires that, if availability under the Ryerson Credit Facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees, and other amounts due thereunder after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments, and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility could reject a borrowing request if any event, circumstance, or development has occurred that has had or could reasonably be expected to have a material adverse effect on the Company. If Ryerson Holding, JT Ryerson, any of the other borrowers, or any restricted subsidiaries of JT Ryerson becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Net proceeds of short-term borrowings that are reflected in the Condensed Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2022 Notes

On May 24, 2016, JT Ryerson issued $650 million in aggregate principal amount of the 2022 Notes. The 2022 Notes bear interest at a rate of 11.00% per annum. The 2022 Notes are fully and unconditionally guaranteed on a senior secured basis by all of our existing and future domestic subsidiaries that are co-borrowers or that have guarantee obligations under the Ryerson Credit Facility.

During 2018, a principal amount of $50.5 million of the 2022 Notes were repurchased for $52.2 million and retired. During the first three months of 2019, a principal amount of $11.6 million of the 2022 Notes were repurchased for $11.8 million and retired, resulting in the recognition of a $0.2 million loss within other income and (expense), net on the Condensed Consolidated Statement of Comprehensive Income.

The 2022 Notes and the related guarantees are secured by a first-priority security interest in substantially all of JT Ryerson’s and each guarantor’s present and future assets located in the United States (other than receivables, inventory, cash, deposit accounts and related general intangibles, certain other assets, and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson’s and the Company’s obligations under the Ryerson Credit Facility.

The 2022 Notes will be redeemable, in whole or in part, at any time on or after May 15, 2019 at certain redemption prices. The redemption price for the 2022 Notes if redeemed during the twelve months beginning (i) May 15, 2019 is 105.50%, (ii) May 15, 2020 is 102.75%, and (iii) May 15, 2021 and thereafter is 100.00%. JT Ryerson may redeem some or all of the 2022 Notes before May 15, 2019 at a redemption price of 100.00% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a “make-whole” premium. In addition, JT Ryerson may redeem up to 35% of the 2022 Notes before May 15, 2019 with respect to the 2022 Notes with the net cash proceeds from certain equity offerings at a price equal to 111.00%, with respect to the 2022 Notes, of the principal amount thereof, plus any accrued and unpaid interest, if any. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make investments, sell assets, engage in acquisitions, mergers, or consolidations, or create liens or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of cumulative net income since the issuance of the 2022 Notes, once prior losses are offset.

Foreign Debt

At March 31, 2019, Ryerson China’s foreign borrowings were $18.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment. At December 31, 2018, Ryerson China’s foreign borrowings were $19.5 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment.

Availability under the foreign credit lines was $27 million and $26 million at March 31, 2019 and December 31, 2018. Letters of credit issued by our foreign subsidiaries were $4 million and $3 million at March 31, 2019 and December 31, 2018, respectively.

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Pension Funding

At December 31, 2018, pension liabilities exceeded plan assets by $181 million. We anticipate that we will have a total minimum required pension contribution of approximately $26 million in 2019 under the Employee Retirement Income Security Act of 1974 ("ERISA") and Pension Protection Act in the U.S and the Ontario Pension Benefits Act in Canada. Through the three months ended March 31, 2019, we have made $6 million in pension contributions and anticipate an additional $20 million of contributions in the remaining nine months of 2019. Future contribution requirements depend on the investment returns on plan assets, the impact of discount rates on pension liabilities, and changes in regulatory requirements. We are unable to determine the amount or timing of any such contributions required by ERISA or whether any such contributions would have a material adverse effect on our financial position or cash flows. We believe that cash flow from operations and the Ryerson Credit Facility described above will provide sufficient funds to make the minimum required contribution in 2019.

Off-Balance Sheet Arrangements

In the normal course of business with customers, vendors, and others, we have entered into off-balance sheet arrangements, such as letters of credit, which totaled $16 million as of March 31, 2019. Additionally, other than normal course long-term operating leases included in the following Contractual Obligations table, we do not have any material off-balance sheet financing arrangements. None of these off-balance sheet arrangements are likely to have a material effect on our current or future financial condition, results of operations, liquidity, or capital resources.

Contractual Obligations

The following table presents contractual obligations at March 31, 2019:

	Payments Due by Period				
Contractual Obligations [1] [2]	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	(In millions)				
2022 Notes	588	—	—	588	—
Ryerson Credit Facility	558	—	558	—	—
Foreign Debt	19	19	—	—	—
Other Debt	1	—	1	—	—
Interest on 2022 Notes, Foreign Debt, Other Debt and Ryerson Credit Facility [3]	257	85	164	8	—
Purchase Obligations [4]	18	18	—	—	—
Operating Leases [5]	95	20	34	23	18
Pension Withdrawal Liability	1	—	—	—	1
Finance Lease Obligations [5]	43	15	19	7	2
Transition Tax Liability	7	1	1	1	4
Total	$1,587	$158	$777	$627	$25

(1)

The contractual obligations disclosed above do not include the Company's potential future pension funding obligations (see discussion under "Pension Funding" caption).

(2) Due to uncertainty regarding the completion of tax audits and possible outcomes, we do not know when our obligations related to unrecognized tax benefits will occur, if at all.

(3) Interest payments related to the variable rate debt were estimated using the weighted average interest rate for the Ryerson Credit Facility, including the effect of the interest rate swap.

(4) The purchase obligations with suppliers are entered into when we receive firm sales commitments with certain of our customers.

(5) Future lease payments are undiscounted.

Income Taxes

We maintain a valuation allowance on certain foreign and U.S. federal and state deferred tax assets until such time as in management's judgment, considering all available positive and negative evidence and consistent with its past determinations, we determine that these deferred tax assets are more likely than not realizable.

We anticipate that certain statutes of limitation will close within the next twelve months resulting in the reduction of the reserve for uncertain tax benefits related to various intercompany transactions. However, we do not believe the amount will be material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

We are exposed to market risk related to our fixed-rate and variable-rate long-term debt. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. Changes in interest rates may affect the market value of our fixed-rate debt. The estimated fair value of our long-term debt and the current portions thereof using quoted market prices for our debt securities recently traded and market-based prices of similar securities for those securities not recently traded was $1,191.9 million at March 31, 2019 and $1,158.5 million at December 31, 2018 as compared with the carrying value of $1,156.5 million and $1,153.3 million at March 31, 2019 and December 31, 2018, respectively.

A hypothetical 1% increase in interest rates on variable rate debt would have increased interest expense for the first three months of 2019 by approximately $1.2 million.

Foreign exchange rate risk

We are subject to exposure from fluctuations in foreign currencies. We use foreign currency exchange contracts to hedge our variability in cash flows when a payment currency is different from our functional currency. Our foreign currency contracts are principally used to purchase U.S. dollars. We had foreign currency contracts with a U.S. dollar notional amount of $2.6 million outstanding at March 31, 2019 and value of zero. We do not currently account for these contracts as hedges but rather mark these contracts to market with a corresponding offset to current earnings. For the three months ended March 31, 2019, the Company recognized a loss of $0.1 million associated with its foreign currency contracts. A hypothetical strengthening or weakening of 10% in the foreign exchange rates underlying the foreign currency contracts from the market rate as of March 31, 2019 would increase or decrease the fair value of the foreign currency contracts by $0.2 million and $0.3 million, respectively.

The currency effects of translating the financial statements of our foreign subsidiaries are included in accumulated other comprehensive loss and will not be recognized in the statement of operations until there is a liquidation or sale of those foreign subsidiaries.

Commodity price risk

Metal prices can fluctuate significantly due to several factors including changes in foreign and domestic production capacity, raw material availability, metals consumption, and foreign currency rates. Declining metal prices could reduce our revenues, gross profit, and net income. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts to reduce volatility in the price of these metals.

As of March 31, 2019, we had 45,780 tons of hot roll coil swaps contracts with a net asset value zero, 377 tons of nickel swap contracts with a net asset value of $0.4 million, 30,369 tons of aluminum swap contracts with a net liability value of $0.9 million, 270,000 tons of iron ore swap contracts with a net liability value of $1.5 million, and 114,000 barrels of crude oil swap contracts with a net asset value of $0.9 million. We do not currently account for these swaps as hedges, but rather mark these contracts to market with a corresponding offset to current earnings. For the three months ended March 31, 2019, we recognized a gain of $2.5 million associated with our metal commodity and crude oil derivatives.

A hypothetical strengthening or weakening of 10% in the commodity prices underlying the commodity derivative contracts from the market rate as of March 31, 2019 would increase or decrease the fair value of commodity derivative contracts by $3.5 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 15d-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Company's controls over financial reporting during the quarter ended March 31, 2019.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In October 2011, the United States Environmental Protection Agency (the "EPA") named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site (the "PHS Site"). On January 6, 2017, the EPA issued an initial Record of Decision ("ROD") regarding the site. The ROD includes a combination of dredging, capping, and enhanced natural recovery that would take approximately thirteen years to construct plus additional time for monitored natural recovery, at an estimated present value cost of $1.05 billion. In a change to its prior stance, at a meeting on December 4, 2018, the EPA announced that it expects potentially responsible parties to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. It also expects allocation of amounts among the parties to be determined in the same time frame.

The EPA has stated that it is willing to consider de minimis and de micromis settlements, which JT Ryerson is trying to pursue; however, the EPA has not begun meeting with any parties, stating that it does not have sufficient information to determine if anyone meets the de minimis criteria and does not intend to begin those considerations until after the Remedial Design work is completed.

The EPA has not yet allocated responsibility for the contamination among the potentially responsible parties, including JT Ryerson. We do not currently have sufficient information available to us to determine whether the ROD will be executed as currently stated, whether and to what extent JT Ryerson may be held responsible for any of the identified contamination, and how much (if any) of the final plan's costs might ultimately be allocated to JT Ryerson. Therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are various other claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at March 31, 2019 is not determinable but, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

Item 1A. Risk Factors

Except for the risk factors below, there have been no material changes relating to this Item from those set forth in Item 1A on the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The right to receive payment on the 2022 Notes and the guarantees will be subordinated to the liabilities of non-guarantor subsidiaries.

The notes and related guarantees are structurally subordinated to all indebtedness of our subsidiaries that are not guarantors of the 2022 Senior Secured Notes (the "2022 Notes"). While the indenture governing the 2022 Notes limits the indebtedness and activities of these non-guarantor subsidiaries, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before those assets are made available for distribution to any guarantor, as

direct or indirect shareholder. While the non-guarantor subsidiaries have agreed under the indenture not to pledge or encumber their assets (other than with respect to permitted liens) without equally and ratably securing the notes, they will not guarantee the 2022 Notes notwithstanding any such pledge or encumbrance in favor of the 2022 Notes.

The non-guarantor subsidiaries represented, respectively, 9.0% and 4.9% of our net sales and EBITDA for the three months ended March 31, 2019. In addition, these non-guarantor subsidiaries represented respectively, 10.4 % and 5.9% of our assets and liabilities, as of March 31, 2019.

Accordingly, in the event that any of the non-guarantor subsidiaries or joint venture entities become insolvent, liquidates, or otherwise reorganizes:

- the creditors of the guarantors (including the holders of the 2022 Notes) will have no right to proceed against such subsidiary's assets; and
- the creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of assets of such subsidiary, as direct or indirect shareholder, and will be entitled to receive any distributions from such subsidiary.

Items 2, 3, 4, and 5 are not applicable and have been omitted.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certificate of the Principal Executive Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of the Principal Financial Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Written Statement of Edward J. Lehner, President and Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Written Statement of Erich S. Schnaufer, Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

*In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished herewith and not filed.

SIGNATURE

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

RYERSON HOLDING CORPORATION

By: /s/ Erich S. Schnaufer
Erich S. Schnaufer

Chief Financial Officer

(duly authorized signatory and principal financial officer of the registrant)

Date: May 1, 2019

36

>

)
Commercial real estate

(26
)

(85
)

(229

)

(517
)

(713
)
Consumer

(29
)

(61
)

(90
)

(140
)

(170
)
Total

(131
)

(267
)

(560
)

(1,074
)

(1,256
)
Recoveries:

Commercial

41

56

55

35

51

Commercial real estate

25

42

35

44

21

Consumer

13

14

14

12

9

Total

79

112

104

91

81

Net loan and lease charge-offs

(52
)

(155
)

(456
)

(983
)

(1,175
)
Balance at end of year

$
746

$
896

$
1,052

$
1,442

$
1,532

Ratio of net charge-offs to average loans and leases

0.14
%

0.42
%

1.24
%

2.56
%

2.83
%
Ratio of allowance for loan losses to net loans and leases, on December 31,

1.91
%

2.38
%

2.82
%

3.92
%

3.81
%
Ratio of allowance for loan losses to nonperforming loans, on December 31,

183.54
%

138.25
%

115.43
%

94.32
%

64.40
%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, on December 31,

166.97
%

126.22
%

104.67
%

86.31
%

60.27
%

77

Schedule 33 provides a breakdown of the allowance for loan losses and the allocation among the portfolio segments.

Schedule 33
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES
At December 31,

(Amounts in millions)	2013 % of total loans		Allocation of allowance	2012 % of total loans		Allocation of allowance	2011 % of total loans		Allocation of allowance	2010 % of total loans		Allocation of allowance	2009 % of total loans		Allocation of allowance
Loan segment															
Commercial	53.2	%	$465	52.4	%	$511	52.1	%	$630	49.5	%	$763	47.6	%	$614
Commercial real estate	26.1		213	26.5		277	27.3		276	30.2		487	31.8		753
Consumer	19.8		61	19.7		96	18.6		123	17.7		154	17.0		165
FDIC-supported loans	0.9		7	1.4		12	2.0		23	2.6		38	3.6		—
Total	100.0	%	$746	100.0	%	$896	100.0	%	$1,052	100.0	%	$1,442	100.0	%	$1,532

The total ALLL declined during 2013 by $150 million due to the positive credit trends experienced in our major loan portfolio segments. Although credit quality trends improved during 2013, the Company increased the portion of the ALLL related to qualitative and environmental factors to keep changes in the level of ALLL consistent with continued elevated levels of problem loans and moderate economic growth.

The total ALLL at December 31, 2012 decreased by $156 million compared to December 31, 2011. The decreases in the ALLL reflected improvements in credit quality trends and somewhat improving economic conditions in some of our markets. The Company decreased the portion of the ALLL related to qualitative and environmental factors to reflect the positive credit quality trends and stabilizing economic conditions.

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 $17.1 million compared to December 31, 2012.

See Note 7 of the Notes to Consolidated Financial Statements for additional information related to the allowance for credit losses and credit trends experienced in each portfolio segment.

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. Among its other responsibilities,

ALCO's primary responsibility for managing interest rate and market risk includes the following:

- recommending policies to the Enterprise Risk Management Committee ("ERMC") and administering ERMC-approved policies that govern and limit the Company's exposure to all interest rate and market risks, including policies that are designed to limit the Company's adverse exposure to changes in interest rates;
- approving procedures that support the Board-approved policies;
- approving all material interest rate risk management strategies, including all hedging strategies and actions taken pursuant to managing interest rate risk and monitoring risk positions against approved limits;
- approving limits and all financial derivative positions taken at both the Parent and subsidiaries for the purpose of hedging the Company's interest rate and market risks;
- providing the basis for integrated balance sheet, net interest income, and liquidity management;
- calculating the estimated market value of each class of assets, liabilities, and net equity, given defined interest rate scenarios;
- managing the Company's exposure to changes in net interest income and estimated market value of equity due to interest rate fluctuations;
- quantifying the effects of hedging instruments on the market value of equity and on net interest income under defined interest rate scenarios; and
- reporting timely all policy limit violations to the Chief Risk Officer, who reports them to the Board of Directors.

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 changed minimally during 2013.

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. 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, interest rate swaps, securities purchases, or other means.

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.

Due to embedded optionality and asymmetric rate risk, changes in MVE can be useful in quantifying risks not apparent for small rate changes. Examples of such risks may include out-of-the-money caps on loans, which have

little effect for small rate movements but may become important if larger rate shocks were to occur, or substantial prepayment deceleration for low rate mortgages in a higher rate environment.

The Company’s policy is generally to limit declines in MVE to 3% per 100 bps movement in interest rates in either direction. Schedule 34 presents the formal limits adopted by the Company’s Board of Directors:

Schedule 34
MARKET VALUE OF EQUITY DECLINE LIMITS

Parallel change in interest rates	Trigger decline in MVE	Risk capacity decline in MVE
+/- 100 bps	3 %	4 %
+/- 200 bps	6 %	8 %
+/- 300 bps	9 %	12 %

These MVE limits, adopted in late 2012, are a change from the previous policy which imposed limits on duration of equity. We had been calculating both measures in parallel for several quarters prior to the adoption of MVE as a primary policy limit, and no significant change in the Company’s interest rate risk position resulted from this policy change. Further, we still calculate and monitor both measures. Duration of equity measures changes in MVE for small changes in interest rates only. The changes to the policy to limit declines in MVE over a wider range of rate movements enhanced the interest rate risk management practice of the Company. Changes or exceptions to the MVE limits are subject to notification and approval by the Risk Oversight Committee of the Company’s Board of Directors.

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 and 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. Management uses historical regression analysis as a guide to setting such assumptions; however, due to the current low interest rate environment, which has little historical precedent, estimated deposit durations may not reflect actual future results. Even modest variation of such assumptions may have significant impact on the calculation of income simulation and market value of equity shown below. These assumptions are as follows:

Schedule 35
REPRICING SCENARIO ASSUMPTIONS BY DEPOSIT PRODUCT

	As of December 31, 2013			
	Fast		Slow	
Product	Effective duration (base)	Effective duration (+200 bps)	Effective duration (base)	Effective duration (+200 bps)
Demand deposits	1.57 %	1.77 %	2.44 %	2.84 %
Money market	0.77 %	0.74 %	1.15 %	1.10 %
Savings and interest on checking	2.92 %	2.78 %	3.47 %	3.03 %

Note: Effective duration measures the percent change in MVE for a 100 bps parallel shift in rates as compared to the Macaulay Duration, which measures weighted average life of cash flows in years and is not reported. The Company's Demand Deposit Model assumes significant negative convexity in the current low rate environment.

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 December 31, 2013 and 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.

Schedule 36
INCOME SIMULATION – CHANGE IN INTEREST RATE SENSITIVE INCOME

	As of December 31, 2013			
Repricing scenario	-100 bps	+100 bps	+200 bps	+300 bps
Fast	(2.8)%	5.7 %	12.0 %	18.1 %
Slow	(2.9)%	7.0 %	14.5 %	21.8 %

	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 %

Schedule 37 includes changes in the MVE from -100 bps to +300 bps parallel rate moves for both “fast” and “slow” scenarios.

Schedule 37
CHANGES IN MARKET VALUE OF EQUITY

	As of December 31, 2013			
Repricing scenario	-100 bps	+100 bps	+200 bps	+300 bps
Fast	0.6 %	1.1 %	2.6 %	3.3 %
Slow	(3.5)%	6.2 %	13.0 %	18.4 %

Note: the major change in MVE is due to the assumption change in Non-Core DDA(6M vs. 1M) .

	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 2013, changes in interest rate sensitivity were, among other things, driven by:

- a 1.6% year-over-year increase in noninterest-bearing demand deposits, with the majority of the increase being invested in short-term money market assets;
- the redemption of preferred stock from cash reserves;
- changes in the modeling assumptions for capturing balloon payments;
- changes to prepayment assumptions; and
- changes in deposit behavior assumptions.

Our focus on business banking also plays a significant role in determining the nature of the Company’s asset-liability management posture. At December 31, 2013 and 2012, approximately 78% and 77%, respectively, of the Company’s commercial lending and CRE portfolios were variable rate and primarily tied to either the prime rate or LIBOR. In addition, certain of our consumer loans also have variable interest rates. See Schedule 19 for further information on fixed and variable interest rates of the loan portfolio.

Largely due to competitive pressures, the favorable impact on loan yield from the use of interest rate floors has diminished. As of December 31, 2013 and 2012, approximately 39.4% and 37.5%, respectively, of all of the Company’s variable rate loan balances contain floors. Of the loans with floors, approximately 64.5% and 74.4% of the balances at these same respective dates were priced at the floor rates, which were above the “index plus spread” rate by an average of 0.53% and 1.07%, respectively.

At December 31, 2013, the Company held $100 million (notional amount) of interest rate swap agreements of which $50 million each mature in 2018 and 2019. See Notes 8 and 21 of the Notes to Consolidated Financial Statements for additional information regarding derivative instruments.

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.

At December 31, 2013, the Company had $35 million of trading assets and $74 million of securities sold, not yet purchased, compared with $28 million and $27 million, respectively, at December 31, 2012.

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During the third quarter of 2012, the Company exited the business of trading corporate debt securities in preparation for the expected implementation of the Volcker Rule of the Dodd-Frank Act. We do not expect this change to have a material impact on the Company's future earnings.

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 2013, the after-tax change in AOCI attributable to AFS and HTM securities was an increase of $235 million compared to a $149 million increase in 2012. The primary reason for the increase is the observed improvement in market values of trust preferred CDOs, and such improvements may not be sustainable. If any of the AFS or HTM securities become other-than-temporarily impaired, the credit impairment is charged to operations. See "Investment Securities Portfolio" on page 51 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, predominantly SBIC venture capital funds. The Company's equity exposure to these investments was approximately $68 million and $56 million at December 31, 2013 and 2012, respectively.

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. The carrying value of Amegy's equity investments was $54 million and $60 million at December 31, 2013 and 2012, respectively.

These private equity investments are subject to the provisions of the Dodd-Frank Act. The Volcker Rule of the Dodd-Frank Act, as published on December 10, 2013, prohibits banks and bank holding companies from holding private equity investments beyond July 2015, except for SBIC funds. The Company may apply for two one-year exceptions that would extend the disposal deadline to July 2017. As of December 31, 2013, such prohibited private equity investments, except for SBIC funds, amounted to $58 million. The Company currently does not believe that this divestiture requirement will have a material negative impact on the value of these investments.

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.

Liquidity Risk Management

Overview

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.

Overseeing liquidity management is the responsibility of ALCO, which implements a Board-adopted corporate Liquidity and Funding Policy. This policy addresses maintaining adequate liquidity, diversifying funding positions, monitoring liquidity at consolidated as well as subsidiary bank levels, and anticipating future funding needs. The policy also includes liquidity ratio guidelines, for example, the "time to required funding" and fixed charges coverage ratios, that are used to monitor the liquidity positions of the Parent and subsidiary banks, as well as various stress test and liquid asset measurements for the Parent and bank liquidity.

The management of liquidity and funding is performed centrally for the Parent and jointly by the Parent and bank management for its subsidiary banks. Zions Bank's Capital Markets/Investment Division performs this management centrally, under the direction of the Company's Chief Investment Officer, with oversight by ALCO. The Chief Investment Officer is responsible for recommending changes to existing funding plans, as well as to the Company's Liquidity Policy. These recommendations must be submitted for approval to ALCO, and changes to the Policy also must be approved by the Company's Enterprise Risk Management Committee and the Board of Directors. The Company has adopted policy limits that govern liquidity risk, including a target for the Parent's time-to-required funding of 18-24 months, with a minimum policy limit of not less than 12 months. Throughout 2013 and as of December 31, 2013, the Company complied with this policy.

The subsidiary banks have authority to price deposits, borrow from their FHLB and the Federal Reserve, and sell/purchase Federal Funds to/from Zions Bank and/or correspondent banks. The banks may also make liquidity and funding recommendations to the Chief Investment Officer.

In recent years international and U.S. banking regulators have published for comment proposed rules that have as an objective to strengthen the liquidity positions of larger financial institutions, including for example, a newly defined Liquidity Coverage Ratio. These rules in general would require that institutions maintain higher levels of highly liquid on-balance sheet assets than they have sometimes held historically. While none of these proposals has yet been adopted in final form, the Company believes that on a consolidated basis it would be in compliance with the rules if they were adopted as proposed.

Contractual Obligations

Schedule 38 summarizes the Company's contractual obligations at December 31, 2013:

Schedule 38

CONTRACTUAL OBLIGATIONS

(In millions)	One year or less	Over one year through three years	Over three years through five years	Over five years	Indeterminable maturity [1]	Total
Deposits	$2,217	$428	$200	$1	$43,516	$46,362
Commitments to extend credit	4,417	5,745	3,183	2,829		16,174
Standby letters of credit:						
Financial	526	155	5	94		780
Performance	118	33	8			159
Commercial letters of credit	75			5		80
Commitments to make venture and other noninterest-bearing investments[2]	28					28
Securities sold, not yet purchased	74					74
Federal funds purchased and security repurchase agreements	267					267
Long-term debt [3]	461	598	444	767		2,270
Operating leases, net of subleases	44,857	87,527	69,257	135,869		337,510
Unrecognized tax benefits, ASC 740		2				2
	$53,040	$94,488	$73,097	$139,565	$43,516	$403,706

[1] Indeterminable maturity deposits include noninterest-bearing demand, savings and money market, and non-time foreign.

[2] Commitments to make venture and other noninterest-bearing investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.

[3] The maturities on long-term borrowings do not include the associated hedges.

In addition to the commitments specifically noted in Schedule 38, the Company enters into a number of contractual commitments in the ordinary course of business. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of its business. Generally, these contracts are renewable or cancelable at least annually, although in some cases to secure favorable pricing concessions, the Company has committed to contracts that may extend to several years.

The Company also enters into derivative contracts under which it is required either to receive or pay cash, depending on changes in interest rates. These contracts are carried at fair value on the balance sheet with the fair value representing the net present value of the expected future cash receipts and payments based on market rates of interest as of the balance sheet date. The fair value of the contracts changes daily as interest rates change. See Note 8 of the Notes to Consolidated Financial Statements for further information on derivative contracts.

Liquidity Management Actions

Consolidated cash, interest-bearing deposits held as investments, and security resell agreements at the Parent and its subsidiaries decreased to $9.3 billion at December 31, 2013 from $10.5 billion at December 31, 2012. The $1.2 billion decrease during 2013 resulted primarily from (1) net loan originations, (2) an increase in investment securities, (3) an increase in federal funds sold, and (4) a net repayment of long term debt. These decreases in cash were partially offset by (1) an increase in net cash provided by operating activities and (2) an increase in deposits.

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, and long-term debt and equity issuances.

Cash, interest-bearing deposits held as investments, and security resell agreements at the Parent increased to $903 million at December 31, 2013 from $653 million at December 31, 2012. The $250 million increase during 2013 was primarily a result of (1) dividends received from its subsidiaries and (2) the redemption of subsidiary preferred stock issued to the Parent, as discussed subsequently. These increases were partially offset by (1) a decrease in cash resulting from a net repayment of long-term debt, and (2) the payment of preferred and common dividends.

During 2013, the Parent received common dividends and return of common equity totaling $376.8 million and preferred dividends totaling $44.8 million from its subsidiary banks. Also, the Parent received cash of $175.0 million from its subsidiary banks as a result of the redemption of preferred stock issued to the Parent. During 2012, the Parent received $302.0 million from its subsidiaries for common dividends and return of common equity, and preferred dividends, and $769.1 million from 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 2013, all of the Company's subsidiary banks recorded a profit. We expect that this profitability will be sustained, thus permitting continued payments of dividends and/or returns of capital by the subsidiaries to the Parent during 2014.
In the second quarter of 2013, the Company increased its quarterly dividend on its common stock to $0.04 per share from $0.01 per share that had been paid during the previous several years.
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 received 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 2013, except that Standards & Poor's outlook improved to stable from negative. While Moody's rates the Company's senior debt as Ba1 (one notch below investment grade), Standard & Poor's, Fitch, Dominion Bond Rating Service ("DBRS"), and Kroll all rate the Company's senior debt at an investment grade level. In addition, all of the previously mentioned rating agencies, except Kroll, rate the Company's subordinated debt as noninvestment grade.
Schedule 39 presents the Parent's ratings as of December 31, 2013:

Schedule 39
CREDIT RATINGS

Rating agency	Outlook	Long-term issuer/senior debt rating	Subordinated debt rating
S&P	Stable	BBB-	BB+
Moody's	Stable	Ba1	Ba2
Fitch	Positive	BBB-	BB+
DBRS	Stable	BBB (low)	BB (high)
Kroll	Stable	BBB	BBB-

During 2013, the primary sources of additional cash to the Parent in the capital markets were (1) the issuance of $800.0 million par amount of preferred stock with a weighted average dividend rate of 6.2%; proceeds net of commissions and fees were $784.3 million and (2) a total issuance of $647.1 million of unsecured senior and subordinated notes with maturities between May 2016 and September 2028, interest rates between 2.75% and 6.95% with a weighted average interest rate of 4.9%; proceeds net of commissions and fees were $639.5 million.

The primary uses of cash in the capital markets for the Parent during 2013 were (1) the $800 million redemption of 9.5% Series C preferred stock, (2) the $285.0 million redemption of Zions Capital Trust B trust preferred securities,

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which carried an 8.0% interest rate (previously included in long-term debt), (3) the repurchase of $258.0 million of the Company's 7.75% senior notes, which had an effective interest expense rate of 11.0% due to original issue discount amortization, and (4) a partial repurchase, totaling $250 million, of the 6.0% and 5.5% subordinated notes and convertible subordinated notes; the convertible subordinated notes had effective interest expense rates in excess of 20%, due to discount amortization.

During 2013 and 2012, the Parent's operating expenses included cash payments for interest of approximately $126 million and $124 million, respectively. Additionally, the Parent paid approximately $120 million and $134 million of total dividends on preferred stock and common stock, for the same periods. Preferred stock dividends were lower during 2013 compared to 2012 primarily as a result of the redemption of the $1.4 billion TARP preferred stock and the replacement of the 11.0% Series E preferred stock with the 7.9% Series F preferred stock during 2012. Due to the previously described preferred stock and debt refinancing activities, we expect a material reduction in the cost of preferred equity and long-term debt in 2014 compared to 2013.

The Company's cash receipts from subsidiaries and investments covered the Parent's interest and dividend payments during 2013 and are expected to cover them in 2014. Note 24 of the Notes to Consolidated Financial Statements contains the Parent's statements of income and cash flows for 2013, 2012 and 2011, as well as its balance sheets at December 31, 2013 and 2012.

At December 31, 2013, maturities of the Company's long-term senior and subordinated debt ranged from February 2014 to September 2028, with effective interest rates from 1.50% to 7.75%.

See Note 13 of the Notes to Consolidated Financial Statements for a complete summary of the Company's long-term debt.

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. At December 31, 2013, these core deposits, excluding brokered deposits, in aggregate, constituted 97.1% of consolidated deposits, compared with 96.6% at December 31, 2012. On a consolidated basis, the Company's net loan to total deposit ratio is 84.2% as of December 31, 2013, compared to 81.6% as of December 31, 2012.

Total deposits increased by $229 million to $46.4 billion during 2013 mainly due to increases of $289 million in noninterest-bearing demand deposits and $254 million in savings deposits, partly offset primarily by a decrease of $370 million in time deposits. Also, during 2013, the subsidiary banks sold most of their investments in security resell agreements, which totaled $2.7 billion at December 31, 2012 and increased their interest-bearing deposits held for investment by $2.2 billion.

The FHLB system and Federal Reserve Banks have been and are a source of back-up liquidity, and from time to time, have been 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 and funding requirements. The subsidiary banks are required to invest in FHLB and Federal Reserved stock to maintain their borrowing capacity

At December 31, 2013, the amount available for additional FHLB and Federal Reserve borrowings was approximately $16.3 billion. Loans with a carrying value of approximately $23.0 billion at December 31, 2013, and $21.1 billion at December 31, 2012 have been pledged at the Federal Reserve and various FHLBs as collateral for current and potential borrowings. The Company had a de minimis amount (approximately $23 million) of long-term borrowings outstanding with the FHLB at December 31, 2013, which was essentially unchanged from December 31, 2012, and had no short-term FHLB or Federal Reserve borrowings outstanding, which also was unchanged from December 31, 2012. At December 31, 2013 and 2012, the subsidiary banks' total investment in FHLB stock was approximately $105 million and $109 million, respectively. The subsidiary banks' total investment in Federal Reserve stock was approximately $121 million and $123 million for the same respective dates.

The Company's investment activities can provide or use cash, depending on the asset-liability management posture taken. During 2013, investment securities' activities resulted in a net increase in investment securities and a net $246 million decrease in cash compared with a net $322 million increase in cash for 2012.
Maturing balances in our subsidiary banks' loan portfolios also provide additional flexibility in managing cash flows. Lending activity for 2013 resulted in a net cash outflow of $1.5 billion compared to a net cash outflow of $0.8 billion for 2012.

During 2013, the Company paid income taxes of $181 million, compared to $183 million during 2012.

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 operational risk. We have documented both 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 antifraud measures, which are reported to the Enterprise Risk Management Committee and to the Risk Oversight Committee of the Board. Late in 2013, the Company further improved operational risk management by creating and staffing the position of Director of Operational Risk, to better coordinate and oversee the Company's operational risk management. 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 a large number of 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

The Board of Directors is responsible for approving the policies associated with capital management. The Board has established the Capital Management Committee ("CMC") whose primary responsibility is to recommend and administer the approved capital policies that govern the capital management of the Company and its subsidiary banks. Other major CMC responsibilities include:

- Setting overall capital targets within the Board-approved capital policy, monitoring performance compared to the Company's Capital Policy limits, and recommending changes to capital including dividends, common stock repurchases, subordinated debt, and changes in major strategies to maintain the Company and its subsidiary banks at well capitalized levels;
- Maintaining an adequate capital cushion to withstand adverse stress events while continuing to meet the lending needs of its customers, and to provide reasonable assurance of continued access to wholesale funding, consistent with fiduciary responsibilities to depositors and bondholders; and
- Reviewing agency ratings of the Parent and its subsidiary banks and establishing target ratings.

The Company has a fundamental financial objective to consistently produce superior risk-adjusted returns on its shareholders' capital. We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence. Specifically, it is the policy of the Parent and each of the subsidiary banks to:

- Maintain sufficient capital to support current needs;
- Maintain an adequate capital cushion to withstand future adverse stress events while continuing to meet borrowing needs of its customers; and
- Meet fiduciary responsibilities to depositors and bondholders while managing capital distributions to shareholders through dividends and repurchases of common stock so as to be consistent with Federal Reserve guidelines SR 09-04 and 12 U.S.C §§ 56 and 60.

In addition, the CMC oversees the Company's capital stress testing under a variety of adverse economic and market scenarios. The Company has established processes to periodically conduct stress tests to evaluate potential impacts to the Company under hypothetical economic scenarios. These stress tests facilitate our contingency planning and management of capital and liquidity within quantitative limits reflecting the Board of Directors' risk appetite. These processes are also used to complete the Company's CCAR as required by the Federal Reserve.

Filing a Capital Plan with the Federal Reserve based on stress-testing and documented sound policies, processes, models, controls, and governance practices, and the subsequent review by the Federal Reserve, is an annual regulatory requirement. This Capital Plan, which is subject to objection by the Federal Reserve, governs all of the Company's capital and significant unsecured debt financing actions for a period of five quarters. Among the actions governed by the Capital Plan are the repurchase of outstanding capital securities and the timing of new capital issuances, and whether the Company can pay or increase dividends. Any such action not included in a Capital Plan to which the Federal Reserve has not objected cannot be executed without submission of a revised stress test and Capital Plan for Federal Reserve review and non-objection; de minimis changes are allowed without a complete Plan resubmission, subject to receipt of a Federal Reserve non-objection. Regulations require Company disclosure of these stress tests results. The Company submitted its 2014 Capital Plan to the Federal Reserve on January 6, 2014 and expects to receive a non-objection/objection decision from the Federal Reserve in mid-March.

The Company plans to resubmit its 2014 Capital Plan to the Federal Reserve as a result of changes to the Volcker Rule of the Dodd-Frank Act that were incorporated into the Interim Final Rule on January 14, 2014, and the Company's decision to sell certain CDO securities, which sales were completed on February 11, 2014. The IFR allows banking entities to retain investments in primarily bank TruPS CDOs. The resubmitted plan will incorporate the impact of this exemption, as well as the impact of changes to the Company's TruPS CDO position that have occurred subsequent to its January 6, 2014 Capital Plan submission. The Company expects to resubmit a new stress

test and Capital Plan by late-March to mid-April. The final results will be published publicly by the Federal Reserve similar to the mid-March decision.

The Company has made and will continue to make significant improvements to its internal stress testing, risk management, and related processes to meet the standards of the CCAR process and is allocating significant resources to the successful implementation of these improvements.

During 2013, the Company issued four new series of Tier 1 capital qualifying noncumulative perpetual preferred stock (Series G, H, I, and J) and reopened and issued additional Series A preferred stock; the total par amount of these issuances is $800 million. Subsequent to these new preferred stock issuances, on September 15, 2013, the Company redeemed all of its outstanding $800 million par amount Series C preferred stock. Notes 13 and 14 of the Notes to Consolidated Financial Statements and “Liquidity Risk Management” on page 83 provide further information on the Company’s equity and debt transactions during 2013.

Controlling interest shareholders’ equity increased by 6.8% from $6.1 billion at December 31, 2012 to $6.5 billion at December 31, 2013. The increase in total controlling interest shareholders’ equity is primarily due to $263.8 million of net income applicable to controlling interest and $235.1 million improvement in net unrealized losses on investment securities recorded in AOCI, partially offset by $119.6 million of dividends paid on preferred and common stock. The improvement in net unrealized losses on investment securities recorded in 2013 primarily was a result of the recognition in earnings of unrealized impairment losses on investment securities and to an increase in the fair value of the investment securities.

As discussed previously, during the second quarter of 2013, the Company increased its quarterly dividend on common stock to $0.04 per share. This was an increase from $0.01 per share per quarter paid during the last several years. Reflecting this increase, the Company paid $24.1 million in dividends on common stock during 2013 compared to $7.4 million in 2012. During its January 2014 meeting, the Board of Directors declared a dividend of $0.04 per common share payable on February 27, 2014 to shareholders of record on February 20, 2014.

The Company recorded preferred stock dividends of $95.5 million for 2013 and $170.9 million for 2012. Preferred stock dividends for 2012 include $79.1 million related to the TARP preferred stock. These consisted of cash payments of $34.4 million and accretion of $44.7 million, which represented the difference between the fair value and par amount of the TARP preferred stock when it was issued. As a result of the refinancing actions in 2013, the Company estimates that preferred dividends will be approximately $72 million in 2014.

In prior years, conversions of convertible subordinated debt into preferred stock augmented the Company’s Tier 1 regulatory capital position and reduced future refinancing needs. However, during 2013, only $1.2 million of subordinated debt was converted into preferred stock, compared to $90.0 million in 2012 and $256.1 million in 2011. A portion of the beneficial conversion feature was reclassified from common stock to preferred stock upon each conversion of convertible subordinated debt into preferred stock. As of December 31, 2013, $227 million of convertible subordinated debt was outstanding. As previously discussed, during 2013, the Company redeemed all of its outstanding $800 million par amount of Series C preferred stock. The legal right to convert subordinated debt into the Company’s Series A and C preferred stock still exists; however, we believe that currently there is no economic incentive to convert. Note 14 of the Notes to Consolidated Financial Statements contains further information related to the beneficial conversion feature.
Banking organizations are required by capital regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. The Company’ capital ratios as of December 31, 2013 are shown in Schedule 40.

Schedule 40
CAPITAL AND PERFORMANCE RATIOS

	December 31, 2013		2012		2011	
Tangible common equity ratio	8.02	%	7.09	%	6.77	%
Tangible equity ratio	9.85	%	9.15	%	11.33	%
Average equity to average assets	11.81	%	12.22	%	13.36	%
Risk-based capital ratios:						
Tier 1 common	10.18	%	9.80	%	9.57	%
Tier 1 leverage	10.48	%	10.96	%	13.40	%
Tier 1 risk-based	12.77	%	13.38	%	16.13	%
Total risk-based	14.67	%	15.05	%	18.06	%
Return on average common equity	5.73	%	3.76	%	3.32	%
Tangible return on average tangible common equity	7.44	%	5.18	%	4.72	%

Note 19 of the Notes to Consolidated Financial Statements provides additional information on risk-based capital.

At December 31, 2013, regulatory Tier 1 risk-based capital and total risk-based capital were $5,763 million and $6,622 million, respectively, compared to $5,884 million and $6,617 million at December 31, 2012.

Basel III

In July 2013, the FRB published final rules (the "Basel III 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 Basel III 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 Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III 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 Basel III 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 Basel III Capital Rules are effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists 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 Basel III 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”).

When fully phased in on January 1, 2019, the Basel III 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 Basel III 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, approximately $628 million of $1,004 million, of the Company's noncommon Tier 1 capital, pro forma incorporating recent sales of CDOs. In addition, deductions from Tier 2 capital would arise from our concentrated investment in insurance only trust preferred CDO securities. These deductions will not begin until January 1, 2015 for the Company, and even after January 1, 2015, they 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 OTTI, additional accumulation of retained earnings, and/or additional sales of 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 Basel III 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, 2015 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 Basel III Capital Rules require that trust preferred securities be phased out from Tier 1 capital by the end of 2015. However, 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 Basel III 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 subsidiary banks, the Basel III 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 Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

The Basel III Capital Rules prescribe a standardized approach for calculating risk-weighted assets that expands the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much

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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 for a variety of asset categories. In addition, the Basel III 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 December 31, 2013, the Company and its subsidiary banks would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective including after giving effect to the deduction described above.

GAAP to NON-GAAP RECONCILIATIONS

1. Tier 1 common 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 T1C capital and those definitions using Basel III rules. We present the calculation of key regulatory capital ratios, including T1C capital, using the governing definition at the end of each quarter, taking into account applicable phase-in rules.

T1C 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 subsidiary banks, 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 T1C capital. T1C capital is also divided by the risk-weighted assets to determine the T1C capital ratio. The amounts disclosed as risk-weighted assets are calculated consistent with banking regulatory requirements.

Schedule 41 provides a reconciliation of controlling interest shareholders' equity (GAAP) to Tier 1 capital (regulatory) and to T1C capital (non-GAAP) using current U.S. regulatory treatment and not proposed Basel III calculations.

Schedule 41
TIER 1 COMMON CAPITAL (NON-GAAP)

(Amounts in millions)	December 31, 2013	2012	2011
Controlling interest shareholders' equity (GAAP)	$6,465	$6,052	$6,985
Accumulated other comprehensive loss	192	446	592
Nonqualifying goodwill and intangibles	(1,050)	(1,065)	(1,083)
Disallowed deferred tax assets	—	—	—
Other regulatory adjustments	(6)	3	4
Qualifying trust preferred securities	163	448	448
Tier 1 capital (regulatory)	5,764	5,884	6,946
Qualifying trust preferred securities	(163)	(448)	(448)
Preferred stock	(1,004)	(1,128)	(2,377)
Tier 1 common capital (non-GAAP)	$4,597	$4,308	$4,121
Risk-weighted assets (regulatory)	$45,146	$43,970	$43,077
Tier 1 common capital to risk-weighted assets (non-GAAP)	10.18 %	9.80 %	9.57 %

2. Tangible return on average tangible common equity

This Annual Report on Form 10-K 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.

Schedule 42 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).

Schedule 42
TANGIBLE RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in millions)	Year Ended December 31, 2012	2012	2011
Net earnings applicable to common shareholders (GAAP)	$294.0	$178.6	$153.4
Adjustments, net of tax:			
Impairment loss on goodwill	—	0.6	—
Amortization of core deposit and other intangibles	9.1	10.8	12.7
Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax (non-GAAP) (a)	$303.1	$190.0	$166.1
Average common equity (GAAP)	$5,130	$4,745	$4,614
Average goodwill	(1,014)	(1,015)	(1,015)
Average core deposit and other intangibles	(44)	(59)	(77)
Average tangible common equity (non-GAAP) (b)	$4,072	$3,671	$3,522
Tangible return on average tangible common equity (non-GAAP) (a/b)	7.44 %	5.18 %	4.72 %

3. Total shareholders' equity to tangible equity and tangible common equity
This Annual Report on Form 10-K 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.
Schedule 43 provides a reconciliation of total shareholders' equity (GAAP) to both tangible equity (non-GAAP) and tangible common equity (non-GAAP).
Schedule 43
TANGIBLE EQUITY (NON-GAAP) AND TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in millions)	December 31, 2013	2012	2011
Total shareholders' equity (GAAP)	$6,465	$6,049	$6,983
Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(36)	(51)	(68)
Tangible equity (non-GAAP) (a)	5,415	4,984	5,900
Preferred stock	(1,004)	(1,128)	(2,377)
Noncontrolling interests	—	3	2
Tangible common equity (non-GAAP) (b)	$4,411	$3,859	$3,525
Total assets (GAAP)	$56,031	$55,512	$53,149
Goodwill	(1,014)	(1,014)	(1,015)
Core deposit and other intangibles	(36)	(51)	(68)
Tangible assets (non-GAAP) (c)	$54,981	$54,447	$52,066
Tangible equity ratio (a/c)	9.85%	9.15%	11.33%
Tangible common equity ratio (b/c)	8.02%	7.09%	6.77%

For items 2 and 3, the identified adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are included where applicable in financial results or in the balance sheet presented in accordance with GAAP. We consider these adjustments to be relevant to ongoing operating results and financial position.
We believe that excluding the amounts associated with these adjustments to present the non-GAAP financial measures provides a meaningful base for period-to-period and company-to-company comparisons, which will assist regulators, investors, and analysts in analyzing the operating results or financial position of the Company and in predicting future performance. These non-GAAP financial measures are used by management and the Board of Directors to assess the performance of the Company's business or its financial position for evaluating bank reporting segment performance, for presentations of the Company's performance to investors, and for other reasons as may be requested by investors and analysts. We further believe that presenting these non-GAAP financial measures will permit investors and analysts to assess the performance of the Company on the same basis as that applied by management and the Board of Directors.
Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders to evaluate a company, they have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Information required by this Item is included in "Interest Rate and Market Risk Management" in MD&A beginning on page 78 and is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT ON MANAGEMENT’S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING
The management of Zions Bancorporation and subsidiaries (“the Company”) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15.

The Company’s management has used the criteria established in Internal Control – Integrated Framework (1992 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) to evaluate the effectiveness of the Company’s internal control over financial reporting.

The Company’s management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2013 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company’s internal control over financial reporting that have been identified by the Company’s management.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2013 and has also issued an attestation report, which is included herein, on internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (“PCAOB”).

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries
We have audited Zions Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Zions Bancorporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Zions Bancorporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 of Zions Bancorporation and subsidiaries and our report dated March 3, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
March 3, 2014

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REPORT ON CONSOLIDATED FINANCIAL STATEMENTS
Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zions Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 3, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
March 3, 2014

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)	December 31, 2013	2012
ASSETS		
Cash and due from banks	$1,175,083	$1,841,907
Money market investments:		
Interest-bearing deposits	8,175,048	5,978,978
Federal funds sold and security resell agreements	282,248	2,775,354
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $609,547 and $674,741)	588,981	756,909
Available-for-sale, at fair value	3,701,886	3,091,310
Trading account, at fair value	34,559	28,290
	4,325,426	3,876,509
Loans held for sale	171,328	251,651
Loans, net of unearned income and fees:		
Loans and leases	38,693,094	37,137,006
FDIC-supported loans	350,271	528,241
	39,043,365	37,665,247
Less allowance for loan losses	746,291	896,087
Loans, net of allowance	38,297,074	36,769,160
Other noninterest-bearing investments	855,642	855,462
Premises and equipment, net	726,372	708,882
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	36,444	50,818
Other real estate owned	46,105	98,151
Other assets	926,228	1,290,917
	$56,031,127	$55,511,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$18,758,753	$18,469,458
Interest-bearing:		
Savings and money market	23,029,928	22,896,624
Time	2,593,038	2,962,931
Foreign	1,980,161	1,804,060
	46,361,880	46,133,073
Securities sold, not yet purchased	73,606	26,735
Federal funds purchased and security repurchase agreements	266,742	320,478
Other short-term borrowings	—	5,409
Long-term debt	2,273,575	2,337,113
Reserve for unfunded lending commitments	89,705	106,809
Other liabilities	501,056	533,660
Total liabilities	49,566,564	49,463,277
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,003,970	1,128,302
Common stock, without par value; authorized 350,000,000 shares; issued	4,179,024	4,166,109

and outstanding 184,677,696 and 184,199,198 shares		
Retained earnings	1,473,670	1,203,815
Accumulated other comprehensive income (loss)	(192,101)	(446,157)
Controlling interest shareholders' equity	6,464,563	6,052,069
Noncontrolling interests	—	(3,428)
Total shareholders' equity	6,464,563	6,048,641
	$56,031,127	$55,511,918

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except shares and per share amounts)	Year Ended December 31,		
	2013	2012	2011
Interest income:			
Interest and fees on loans	$1,814,600	$1,889,884	$2,049,928
Interest on money market investments	23,363	21,080	13,832
Interest on securities:			
Held-to-maturity	31,280	34,751	35,716
Available-for-sale	71,107	92,261	87,105
Trading account	1,055	746	2,000
Total interest income	1,941,405	2,038,722	2,188,581
Interest expense:			
Interest on deposits	58,913	80,146	128,479
Interest on short-term borrowings	313	1,406	6,685
Interest on long-term debt	185,851	225,230	297,232
Total interest expense	245,077	306,782	432,396
Net interest income	1,696,328	1,731,940	1,756,185
Provision for loan losses	(87,136)	14,227	74,532
Net interest income after provision for loan losses	1,783,464	1,717,713	1,681,653
Noninterest income:			
Service charges and fees on deposit accounts	176,339	176,401	174,435
Other service charges, commissions and fees	181,473	174,420	185,836
Trust and wealth management income	29,913	28,402	26,683
Capital markets and foreign exchange	28,051	26,810	31,407
Dividends and other investment income	46,062	55,825	42,428
Loan sales and servicing income	35,293	39,929	28,072
Fair value and nonhedge derivative loss	(18,152)	(21,782)	(4,980)
Equity securities gains, net	8,520	11,253	6,511
Fixed income securities gains (losses), net	(2,898)	19,544	11,868
Impairment losses on investment securities:			
Impairment losses on investment securities	(188,606)	(166,257)	(77,325)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	23,472	62,196	43,642
Net impairment losses on investment securities	(165,134)	(104,061)	(33,683)
Other	17,940	13,129	29,607
Total noninterest income	337,407	419,870	498,184
Noninterest expense:			
Salaries and employee benefits	912,918	885,661	874,293
Occupancy, net	112,303	112,947	112,537
Furniture, equipment and software	106,629	108,990	105,703
Other real estate expense	1,712	19,723	77,570
Credit-related expense	33,653	50,518	61,629
Provision for unfunded lending commitments	(17,104)	4,387	(9,286)
Professional and legal services	67,968	52,509	38,992
Advertising	23,362	25,720	27,164
FDIC premiums	38,019	43,401	63,918
Amortization of core deposit and other intangibles	14,375	17,010	20,070
Debt extinguishment cost	120,192	—	—
Other	300,412	275,151	285,974

Total noninterest expense	1,714,439	1,596,017	1,658,564
Income before income taxes	406,432	541,566	521,273
Income taxes	142,977	193,416	198,583
Net income	263,455	348,150	322,690
Net loss applicable to noncontrolling interests	(336)	(1,366)	(1,114)
Net income applicable to controlling interest	263,791	349,516	323,804
Preferred stock dividends	(95,512)	(170,885)	(170,414)
Preferred stock redemption	125,700	—	—
Net earnings applicable to common shareholders	$293,979	$178,631	$153,390
Weighted average common shares outstanding during the year:			
Basic shares	183,844	183,081	182,393
Diluted shares	184,297	183,236	182,605
Net earnings per common share:			
Basic	$1.58	$0.97	$0.83
Diluted	1.58	0.97	0.83

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Year Ended December 31, 2013	2012	2011
Net income	$263,455	$348,150	$322,690
Other comprehensive income (loss), net of tax:			
Net unrealized holding gains (losses) on investment securities	141,399	129,330	(77,280)
Noncredit-related impairment losses on securities not expected to be sold	(13,751)	(38,406)	(26,481)
Reclassification to earnings for realized net fixed income securities losses (gains)	1,775	(12,204)	(7,392)
Reclassification to earnings for net credit-related impairment losses on investment securities	99,903	63,564	20,244
Accretion of securities with noncredit-related impairment losses not expected to be sold	1,258	6,863	410
Net unrealized holding gains (losses) on derivative instruments	(431)	247	1,355
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(1,580)	(7,857)	(22,653)
Pension and postretirement	25,483	4,390	(18,991)
Other comprehensive income (loss)	254,056	145,927	(130,788)
Comprehensive income	517,511	494,077	191,902
Comprehensive loss applicable to noncontrolling interests	(336)	(1,366)	(1,114)
Comprehensive income applicable to controlling interest	$517,847	$495,443	$193,016

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

(In thousands, except shares and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders’ equity
		Shares	Amount				
Balance at December 31, 2010	$2,056,672	182,784,086	$4,163,619	$889,284	$(461,296)	$(1,065)	$6,647,214
Net income (loss)				323,804		(1,114)	322,690
Other comprehensive loss, net of tax					(130,788)		(130,788)
Subordinated debt converted to preferred stock	299,248		(43,139)				256,109
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		283,762	17,714				17,714
Dividends on preferred stock	21,640			(170,414)			(148,774)
Dividends on common stock, $0.04 per share				(7,361)			(7,361)
Change in deferred compensation				1,277			1,277
Other changes in noncontrolling interests						99	99
Balance at December 31, 2011	2,377,560	184,135,388	4,163,242	1,036,590	(592,084)	(2,080)	6,983,228
Net income (loss)				349,516		(1,366)	348,150
Other comprehensive loss, net of tax					145,927		145,927
Issuance of preferred stock	143,750		(2,408)				141,342
Preferred stock redemption	(1,542,500)		3,830	(3,830)			(1,542,500)
Subordinated debt converted to preferred stock	104,796		(15,232)				89,564
Net activity under employee plans and related tax benefits		63,810	16,677				16,677
Dividends on preferred stock	44,696			(170,885)			(126,189)
Dividends on common stock, $0.04 per share				(7,392)			(7,392)
Change in deferred compensation				(184)			(184)
Other changes in noncontrolling interests						18	18
Balance at December 31, 2012	1,128,302	184,199,198	4,166,109	1,203,815	(446,157)	(3,428)	6,048,641

Net income (loss)				263,791		(336)	263,455
Other comprehensive income, net of tax					254,056		254,056
Issuance of preferred stock	800,000		(15,682)				784,318
Preferred stock redemption	(925,748)		580	125,700			(799,468)
Subordinated debt converted to preferred stock	1,416		(206)				1,210
Net activity under employee plans and related tax benefits		478,498	32,389				32,389
Dividends on preferred stock				(95,512)			(95,512)
Dividends on common stock, $0.13 per share				(24,094)			(24,094)
Change in deferred compensation				(30)			(30)
Other changes in noncontrolling interests			(4,166)			3,764	(402)
Balance at December 31, 2013	$1,003,970	184,677,696	$4,179,024	$1,473,670	$(192,101)	$—	$6,464,563

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31, 2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$263,455	$348,150	$322,690
Adjustments to reconcile net income to net cash provided by operating activities:			
Debt extinguishment cost	120,192	—	—
Net impairment losses on investment securities, goodwill, and long-lived assets	165,134	106,545	35,686
Provision for credit losses	(104,240)	18,614	65,246
Depreciation and amortization	130,616	185,185	240,485
Deferred income tax expense (benefit)	(60,117)	9,788	115,604
Net decrease (increase) in trading securities	(6,286)	11,983	8,394
Net decrease (increase) in loans held for sale	116,624	(31,445)	50,696
Net write-downs of and gains/losses from sales of other real estate owned	(3,681)	17,166	58,676
Change in other liabilities	(2,051)	27,439	19,370
Change in other assets	255,564	71,772	153,592
Other, net	1,356	(29,002)	(1,691)
Net cash provided by operating activities	876,566	736,195	1,068,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease (increase) in money market investments	297,036	(1,631,278)	(2,416,741)
Proceeds from maturities and paydowns of investment securities held-to-maturity	130,938	128,278	101,893
Purchases of investment securities held-to-maturity	(155,328)	(86,790)	(69,171)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	1,104,010	1,212,047	2,206,881
Purchases of investment securities available-for-sale	(1,325,704)	(932,034)	(1,423,141)
Proceeds from sales of loans and leases	17,748	66,223	17,609
Net loan and lease originations	(1,506,233)	(792,025)	(1,185,688)
Net purchases of premises and equipment	(88,580)	(68,894)	(77,669)
Proceeds from sales of other real estate owned	110,058	204,818	362,495
Net cash received from (paid for) divestitures	3,786	(19,901)	—
Other, net	19,109	40,014	19,407
Net cash used in investing activities	(1,393,160)	(1,879,542)	(2,464,125)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	228,807	3,286,823	1,940,697
Net change in short-term funds borrowed	(12,274)	(370,264)	(208,541)
Proceeds from issuance of long-term debt	646,408	757,610	106,065
Repayments of long-term debt	(832,122)	(372,891)	(8,663)
Debt extinguishment cost paid	(45,812)	—	—
Cash paid for preferred stock redemptions	(799,468)	(1,542,500)	—
Proceeds from the issuance of common and preferred stock	794,143	143,240	25,686
Dividends paid on common and preferred stock	(119,660)	(133,581)	(156,135)
Other, net	(10,252)	(7,533)	(3,508)
Net cash provided by (used in) financing activities	(150,230)	1,760,904	1,695,601
Net increase (decrease) in cash and due from banks	(666,824)	617,557	300,224

Cash and due from banks at beginning of year	1,841,907	1,224,350	924,126
Cash and due from banks at end of year	$1,175,083	$1,841,907	$1,224,350
Cash paid for interest	$191,897	$214,673	$263,338
Net cash paid for income taxes	181,318	183,348	3,743

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

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

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Parent and its majority-owned subsidiaries ("the Company," "we," "our," "us"). Unconsolidated investments in which there is a greater than 20% ownership are accounted for by the equity method of accounting; those in which there is less than 20% ownership are accounted for under cost, fair value, or equity methods of accounting. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and prevailing practices within the financial services industry. References to GAAP as promulgated by the Financial Accounting Standards Board ("FASB") are made according to sections of the Accounting Standards Codification ("ASC") and to Accounting Standards Updates ("ASU").

In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Reclassifications

Certain amounts in 2011 have been reclassified to conform with the current year presentation. Certain credit card interchange fees were reclassified from interest and fees on loans to other service charges, commissions and fees. Income from factored receivables was reclassified from other service charges, commissions and fees to interest and fees on loans. The net effect decreased interest and fees on loans by $16.3 million in 2011 and increased other service charges, commissions and fees by the same amount. There was no effect on the balance sheet. The changes were made primarily to conform with prevailing reporting practices in the banking industry. Affected balances for 2011 in this Form 10-K have been adjusted where appropriate. There was no change in 2011 net earnings.

Variable Interest Entities

A variable interest entity ("VIE") is consolidated when a company is the primary beneficiary of the VIE. Current accounting guidance requires continuous analysis on a qualitative rather than a quantitative basis to determine the primary beneficiary of a VIE. At the commencement of our involvement and periodically thereafter, we consider our consolidation conclusions for all entities with which we are involved. As of December 31, 2013, no VIEs have been consolidated in the Company's financial statements.

Statement of Cash Flows

For purposes of presentation in the consolidated statements of cash flows, "cash and cash equivalents" are defined as those amounts included in cash and due from banks in the consolidated balance sheets.

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Security Resell Agreements
Security resell agreements represent overnight and term agreements with the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company, or in some instances third parties on its behalf, take possession of the underlying securities. The fair value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for security resell agreements. If sold, our obligation to return the collateral is recorded as a liability and included in the balance sheet as securities sold, not yet purchased. At December 31, 2013, we did not hold any securities for which we were permitted by contract to sell or repledge. Security resell agreements averaged approximately $675 million during 2013, and the maximum amount outstanding at any month-end during 2013 was approximately $2.3 billion.

Investment Securities
We classify our investment securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held-to-maturity (“HTM”) debt securities are stated at adjusted cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and ability to hold such securities until recovery of their amortized cost basis. However, see further discussion in Note 6 regarding the Company’s change in intent prior to December 31, 2013 for certain CDO securities.

Available-for-sale (“AFS”) securities are stated at fair value and generally consist of debt securities held for investment and marketable equity securities not accounted for under the equity method. Unrealized gains and losses of AFS securities, after applicable taxes, are recorded as a component of other comprehensive income (“OCI”).

We review quarterly our investment securities portfolio for any declines in value that are considered to be other-than-temporary impairment (“OTTI”). The process, methodology and factors considered to evaluate securities for OTTI are discussed further in Note 6. Noncredit-related OTTI on securities we intend to sell and credit-related OTTI regardless of intent is recognized in earnings. OTTI is recognized as a realized loss through earnings when our best estimate of discounted cash flows expected to be collected is less than our amortized cost basis. Noncredit-related OTTI on securities not expected to be sold is recognized in OCI.

Trading securities are stated at fair value and consist of securities acquired for short-term appreciation or other trading purposes. Realized and unrealized gains and losses are recorded in trading income, which is included in capital markets and foreign exchange.

The fair values of investment securities, as estimated under current accounting guidance, are discussed in Notes 8 and 21.

Loans and Allowance for Credit Losses
Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct loan origination costs, is amortized to interest income over the life of the loan using the interest method. Interest income is recognized on an accrual basis.

At the time of origination, we determine whether loans will be held for investment or held for sale. We may subsequently change our intent to hold loans for investment and reclassify them as held for sale. Loans held for sale are carried at the lower of aggregate cost or fair value. A valuation allowance is recorded when cost exceeds fair value based on reviews at the time of reclassification and periodically thereafter. Gains and losses are recorded in noninterest income based on the difference between sales proceeds and carrying value.

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Loans that become other than current with respect to contractual payments due may be accounted for separately depending on the status of the loan, which is determined from certain credit quality indicators and analysis under the circumstances. The loan status includes past due, nonaccrual, impaired, modified, and restructured (including troubled debt restructurings). Our accounting policies for these loan types and our estimation of the related allowance for loan losses are discussed further in Note 7.

Certain purchased loans require separate accounting procedures that are also discussed in Note 7.

The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded lending commitments, and represents our estimate of losses inherent in the loan portfolio that may be recognized from loans and lending commitments that are not recoverable. Further discussion of our estimation process for the allowance for credit losses is included in Note 7.

Other Real Estate Owned
Other real estate owned ("OREO") consists principally of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. Amounts are recorded at the lower of cost or fair value (less any selling costs) based on property appraisals at the time of transfer and periodically thereafter.

Nonmarketable Investments
Nonmarketable investments, including private equity investments, are included in other noninterest-bearing investments on the balance sheet. These investments include venture capital securities and securities acquired for various debt and regulatory requirements. See further discussion in Note 21.

Certain nonmarketable venture capital securities are accounted for under the equity method and reported at estimated fair values in the absence of readily ascertainable fair values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated.

Other nonmarketable investments, including private equity investments and those acquired for various debt and regulatory requirements, are accounted for at cost. Periodic reviews are conducted for impairment by comparing carrying values with estimates of fair value determined according to the previous discussion.

Premises and Equipment
Premises and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally 25 to 40 years for buildings, 3 to 10 years for furniture and equipment, 3 to 5 years for software, and 10 years for software capitalized for the Company's new lending and deposit systems. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Business Combinations
Business combinations are accounted for under the purchase method of accounting. Upon initially obtaining control, we recognize 100% of all acquired assets and all assumed liabilities regardless of the percentage owned. The assets and liabilities are recorded at their estimated fair values, with goodwill being recorded when such fair values are less than the cost of acquisition. Certain transaction and restructuring costs are expensed as incurred. Changes to estimated fair values from a business combination are recognized as an adjustment to goodwill over the measurement period, which cannot exceed one year from the acquisition date. Results of operations of the acquired business are included in our statement of income from the date of acquisition.

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Goodwill and Identifiable Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized. We subject these assets to annual specified impairment tests as of the beginning of the fourth quarter and more frequently if changing conditions warrant. Core deposit assets and other intangibles with finite useful lives are generally amortized on an accelerated basis using an estimated useful life of up to 12 years.

Derivative Instruments

We use derivative instruments, including interest rate swaps and floors and basis swaps, as part of our overall interest rate risk management strategy. These instruments enable us to manage to desired asset and liability duration and to reduce interest rate exposure by matching estimated repricing periods of interest-sensitive assets and liabilities. We also execute derivative instruments with commercial banking customers to facilitate their risk management strategies. These derivatives are immediately hedged by offsetting derivatives such that we minimize our net risk exposure as a result of such transactions. We record all derivatives at fair value in the balance sheet as either other assets or other liabilities. See further discussion in Note 8.

Commitments and Letters of Credit

In the ordinary course of business, we enter into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments is evaluated in a manner similar to the allowance for loan losses. The reserve for unfunded lending commitments is presented separately in the balance sheet.

Share-Based Compensation

Share-based compensation generally includes grants of stock options, restricted stock, and other awards to employees and nonemployee directors. We recognize the share-based awards in the statement of income based on their fair values. See further discussion in Note 17.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases and are measured using enacted tax laws and rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized subject to management's judgment that realization is more-likely-than-not. Unrecognized tax benefits for uncertain tax positions relate primarily to state tax contingencies. See further discussion in Note 15.

Net Earnings Per Common Share

Net earnings per common share is based on net earnings applicable to common shareholders, which is net of preferred stock dividends. Basic net earnings per common share is based on the weighted average outstanding common shares during each year. Unvested share-based awards with rights to receive nonforfeitable dividends are considered participating securities and included in the computation of basic earnings per share. Diluted net earnings per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents (such as warrants, stock options and restricted stock). Diluted net earnings per common share excludes common stock equivalents whose effect is antidilutive. See further discussion in Note 16.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This new guidance under ASU 310-40, Receivables – Trouble Debt Restructurings by Creditors, clarifies that a creditor should be considered to have physical possession of a residential real estate property collateralizing a residential mortgage loan and thus would reclassify the loan to other real estate owned when certain conditions are satisfied. The new amendments will require additional financial statement disclosures and may be applied on either a prospective or a modified retrospective basis, with early adoption permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management is currently evaluating the impact this new guidance may have on its financial statement disclosures.

In January 2014, the FASB issued ASU 2014-1, Accounting for Investments in Qualified Affordable Housing Projects. This new accounting guidance under ASC 323, Investments – Equity Method and Joint Ventures, revised the conditions that an entity must meet to elect to use the effective yield method when accounting for qualified affordable housing project investments. The final consensus changed the method of amortizing a Low Income Housing Tax Credit (“LIHTC”) investment from the effective yield method to a proportional amortization method. The amortization would be proportional to the tax credits and tax benefits received but, under a practical expedient that would be available in certain circumstances, amortization could be proportional to only the tax credits. Reporting entities that invest in LIHTC investments through a limited liability entity could elect the proportional amortization method if certain conditions are met. The guidance would not extend to other types of tax credit investments. The final consensus would be applied retrospectively with early adoption and other adjustments permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management is currently evaluating the impact this new guidance may have on its financial statements.

Additional recent accounting pronouncements are discussed where applicable in the Notes to Consolidated Financial Statements.

3. MERGER AND ACQUISITION ACTIVITY

In August 2011, we recognized a $5.5 million gain in other noninterest income from the sale of BServ, Inc. (dba BankServ) stock. We acquired the stock of this privately-owned company when we sold substantially all of the assets of our NetDeposit subsidiary in September 2010. Similar to BankServ, NetDeposit specialized in remote deposit capture and electronic payment technologies.

4. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Year Ended December 31,		
	2013	2012	2011
Loans transferred to other real estate owned	$60,749	$172,018	$301,454
Loans and leases transferred to loans held for sale	36,301	—	31,936
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	206	15,232	43,139
Subordinated debt converted to preferred stock	1,210	89,564	256,109
Preferred stock transferred to common stock as a result of the Series C preferred stock redemption	580	—	—
Preferred stock/beneficial conversion feature transferred to retained earnings as result of the Series C preferred stock redemption	125,700	—	—
Amortized cost of HTM securities transferred to AFS securities	181,915	—	—

5.CASH AND MONEY MARKET INVESTMENTS

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

Security resell and repurchase agreements are offset in the balance sheet according to master netting agreements. Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company’s balance sheet. See Note 8 for further information regarding derivative instruments.

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

(In thousands)	December 31, 2013			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$282,248	$—	$282,248	$—	$ —	$282,248
Derivatives (included in other assets)	65,683	—	65,683	(11,650)	2,210	56,243
	$347,931	$—	$347,931	$(11,650)	$ 2,210	$338,491
Liabilities:						
Federal funds purchased and security repurchase agreements	$266,742	$—	$266,742	$—	$ —	$266,742
Derivatives (included in other liabilities)	68,397	—	68,397	(11,650)	(26,997)	29,750
	$335,139	$—	$335,139	$(11,650)	$ (26,997)	$296,492

(In thousands)	December 31, 2012			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
	$3,675,354	$(900,000)	$2,775,354	$—	$ —	$2,775,354

Federal funds sold and security resell agreements						
Derivatives (included in other assets)	86,214	—	86,214	(409)	—	85,805
	$3,761,568	$(900,000)	$2,861,568	$(409)	$ —	$2,861,159
Liabilities:						
Federal funds purchased and security repurchase agreements	$1,220,478	$(900,000)	$320,478	$—	$ —	$320,478
Derivatives (included in other liabilities)	92,259	—	92,259	(409)	(81,683)	10,167
	$1,312,737	$(900,000)	$412,737	$(409)	$ (81,683)	$330,645

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6. INVESTMENT SECURITIES

Investment securities are summarized below. Note 21 discusses the process to estimate fair value for investment securities.

	December 31, 2013						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$551,055	$—	$—	$551,055	$11,295	$4,616	$557,734
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,419	—	41,593	37,826	15,195	1,308	51,713
Other	—	—	—	—	—	—	—
Other debt securities	100	—	—	100	—	—	100
	630,574	—	41,593	588,981	26,490	5,924	609,547
Available-for-sale							
U.S. Treasury securities	1,442	104	—	1,546			1,546
U.S. Government agencies and corporations:							
Agency securities	517,905	1,920	901	518,924			518,924
Agency guaranteed mortgage-backed securities	308,687	9,926	1,237	317,376			317,376
Small Business Administration loan-backed securities	1,202,901	21,129	2,771	1,221,259			1,221,259
Municipal securities	65,425	1,329	490	66,264			66,264
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,508,224	13,439	282,843	1,238,820			1,238,820
Trust preferred securities – real estate investment trusts	22,996	—	—	22,996			22,996
Auction rate securities	6,507	118	26	6,599			6,599
Other	27,540	359	—	27,899			27,899
	3,661,627	48,324	288,268	3,421,683			3,421,683
Mutual funds and other	287,603	21	7,421	280,203			280,203
	3,949,230	48,345	295,689	3,701,886			3,701,886
Total	$4,579,804	$48,345	$337,282	$4,290,867			$4,311,433

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

[1] The gross unrealized losses recognized in OCI on HTM securities resulted from a previous transfer of AFS securities
to HTM and from OTTI.

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of December 31, 2013 by expected maturity distribution for structured asset-backed collateralized debt obligations (“ABS CDOs”) and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

Due in one year or less	$53,489	$53,200	$446,742	$434,528
Due after one year through five years	197,830	202,553	1,151,262	1,126,669
Due after five years through ten years	136,754	134,360	724,261	702,395
Due after ten years	242,501	219,434	1,339,362	1,158,091
	$630,574	$609,547	$3,661,627	$3,421,683

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

(In thousands)	December 31, 2013 Less than 12 months Gross unrealized losses	Estimated fair value	12 months or more Gross unrealized losses	Estimated fair value	Total Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$4,025	$70,400	$591	$9,103	$4,616	$79,503
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	42,901	51,319	42,901	51,319
Other	—	—	—	—	—	—
	4,025	70,400	43,492	60,422	47,517	130,822
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	828	47,862	73	5,874	901	53,736
Agency guaranteed mortgage-backed securities	1,231	64,533	6	935	1,237	65,468
Small Business Administration loan-backed securities	1,709	187,680	1,062	39,256	2,771	226,936
Municipal securities	73	8,834	417	3,179	490	12,013
Asset-backed securities:						
Trust preferred securities – banks and insurance	2,539	51,911	280,304	847,990	282,843	899,901
Trust preferred securities – real estate investment trusts	—	—	—	—	—	—
Auction rate securities	5	1,609	21	892	26	2,501
Other	—	—	—	—	—	—
	6,385	362,429	281,883	898,126	288,268	1,260,555
Mutual funds and other	943	24,057	6,478	103,614	7,421	127,671
	7,328	386,486	288,361	1,001,740	295,689	1,388,226
Total	$11,353	$456,886	$331,853	$1,062,162	$343,206	$1,519,048

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

At December 31, 2013 and 2012, respectively, 157 and 84 HTM and 317 and 256 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

Ongoing Policy

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

Noncredit-related OTTI in securities we intend to sell is recognized in earnings as is any credit-related OTTI in securities, regardless of our intent. Noncredit-related OTTI on securities not expected to be sold is recognized in OCI. The amount of noncredit-related OTTI in a security is quantified as the difference in a security’s amortized cost after adjustment for credit impairment, and its lower fair value. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount

of noncredit-related OTTI recognized in OCI is accreted using the effective interest rate method to the credit-adjusted expected cash flow amounts of the securities over future periods.

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Our OTTI evaluation process takes into consideration current market conditions; fair value in relationship to cost; extent and nature of change in fair value; severity and duration of the impairment; recent events specific to the issuer or industry; creditworthiness of the issuer, including external credit ratings, changes, recent downgrades, and trends; volatility of earnings and trends; current analysts' evaluations; all available information relevant to the collectibility of debt securities; and other key measures. In addition, for AFS securities with fair values below amortized cost, we must determine if we intend to sell the securities or if it is more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. For HTM securities, we must determine we have the ability to hold the securities to maturity. We consider any other relevant factors before concluding our evaluation for the existence of OTTI in our securities portfolio.

Additionally, under ASC 325-40, Beneficial Interests in Securitized Financial Assets, OTTI is recognized as a realized loss through earnings when there has been an adverse change in the holder's best estimate of cash flows expected to be collected such that the entire amortized cost basis will not be received.

Effect of Volcker Rule and Interim Final Rule
Prior to December 31, 2013, we asserted that we did not intend to sell collateralized debt obligation ("CDO") securities prior to recovery of their amortized cost basis when it exceeded fair value. We also determined that it was not more likely than not that we will be required to sell such securities before recovery of their amortized cost basis.

On December 10, 2013, five federal agencies (the Federal Reserve, Federal Deposit Insurance Corporation ("FDIC"), Office of the Comptroller of the Currency ("OCC"), Commodity Futures Trading Commission ("CFTC"), and the Securities and Exchange Commission ("SEC") published the final Volcker Rule ("VR") pursuant to the Dodd-Frank Act. The VR significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. On January 14, 2014, these agencies revised the VR's application to certain CDO securities through publication of an Interim Final Rule ("IFR") related primarily to bank trust preferred CDO securities.

Certain CDO securities backed primarily by insurance trust preferred securities, REIT securities, and ABS securities became disallowed under the VR and the IFR. This regulatory change resulted in the Company no longer being able to hold these securities to maturity. Accordingly, we reclassified the affected securities in the HTM portfolio from HTM to AFS. The amortized cost of the securities reclassified was approximately $182 million. Net unrealized losses recorded in OCI during the fourth quarter of 2013 as a result of this reclassification were approximately $24.4 million.

Within the resulting AFS portfolio, we concluded we still had the ability to hold certain disallowed insurance CDO securities to recovery of their amortized cost basis, which was $358 million at December 31, 2013. Such securities had $67 million of unrealized losses at December 31, 2013. In contrast, for $147 million at amortized cost of disallowed CDOs, primarily ABS and Real Estate Investment Trusts ("REIT"), the Company concluded recovery was unlikely prior to July 21, 2015, and determined prior to December 31, 2013 an intent to sell during the first quarter of 2014. In addition at December 31, 2013, to reduce the risk profile of the portfolio, we determined an intent to sell for certain other allowed CDO securities during the first quarter of 2014.

This formation of an intent to sell resulted in a pretax securities impairment charge of $137.1 million for CDO trust preferred securities – banks and insurance, REITs, and other asset backed CDO securities. Approximately $43.2 million of the charge related to securities which the VR and the IFR preclude the Company from holding beyond July 21, 2015. The remaining $93.9 million related to securities that we intend to sell despite being grandfathered under the VR and the IFR. See the Subsequent Event section following in this footnote which discusses the results of the subsequent sales of these CDO securities.

OTTI Conclusions

The following summarizes the conclusions from our OTTI evaluation for those security types that had significant gross unrealized losses during 2013:

OTTI – Municipal Securities

The HTM securities are purchased directly from municipalities and are generally not rated by a credit rating agency. Most of the AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair value changes of these securities are largely driven by interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded during 2013.

OTTI – Asset-Backed Securities

Trust preferred securities – banks and insurance – These CDO securities are interests in variable rate pools of trust preferred securities issued by trusts related to bank holding companies and insurance companies ("collateral issuers"). They are rated by one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"), which are rating agencies registered with the SEC. The more junior securities were purchased generally at par, while the senior securities were purchased from Lockhart Funding LLC ("Lockhart"), a previously consolidated qualifying special purpose entity securities conduit, at their carrying values (generally par) and then adjusted to their lower fair values. The primary drivers that have given rise to the unrealized losses on CDOs with bank and insurance collateral are listed below:

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

A second structural feature that is difficult to model is the payment in kind ("PIK") feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. If the current market yield required by market participants equaled the effective interest rate of a security, a market participant should be indifferent between receiving current interest and capitalizing and compounding interest for later payment. However, given the difference between current market rates and effective interest rates of the securities, market participants are not indifferent. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

3) Ratings are generally below-investment-grade for even some of the most senior tranches that originally were rated AAA or the equivalent. Ratings on a number of CDO tranches vary significantly among rating agencies. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.

4) There is a lack of consistent disclosure by each CDO's trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for nonspecialists in the product.
5) At purchase, the expectation of cash flow variability was limited. As a result of the crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Based on our ongoing review of these CDO securities and the previous discussion related to the VR and the IFR, OTTI was recorded during 2013.

OTTI – U.S. Government Agencies and Corporations
Small Business Administration ("SBA") Loan-Backed Securities – These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded during 2013.
The following is a tabular rollforward of the total amount of credit-related OTTI, including amounts recognized in earnings:

(In thousands)	2013			2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of year	$(13,549)	$(394,494)	$(408,043)	$(6,126)	$(314,860)	$(320,986)
Additions recognized in earnings during the year:						
Credit-related OTTI not previously recognized [1]	(403)	(168)	(571)	(2,890)	(5,654)	(8,544)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	—	(27,482)	(27,482)	(4,533)	(90,984)	(95,517)
Subtotal of amounts recognized in earnings	(403)	(27,650)	(28,053)	(7,423)	(96,638)	(104,061)
Transfers from HTM to AFS	4,900	(4,900)	—	—	—	—
Reductions for securities sold or paid off during the year	—	47,768	47,768	—	17,004	17,004
Reductions for securities the Company intends to sell or will be required to sell before recovery of its amortized cost basis	—	202,443	202,443	—	—	—
Balance of credit-related OTTI at end of year	$(9,052)	$(176,833)	$(185,885)	$(13,549)	$(394,494)	$(408,043)

[1] Relates to securities not previously impaired.
[2] Relates to additional impairment on securities previously impaired.

To determine the credit component of OTTI for all security types, we utilize projected cash flows. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are also utilized. In addition, certain internal and external models may be utilized. See Note 21 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows.

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

(In thousands)	2013	2012	2011

HTM	$16,114	$16,718	$20,945
AFS	7,358	45,478	22,697
	$23,472	$62,196	$43,642

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

(In thousands)	2013 Gross gains	Gross losses	2012 Gross gains	Gross losses	2011 Gross gains	Gross losses
Investment securities:						
Held-to-maturity	$81	$403	$214	$7,423	$229	$769
Available-for-sale	13,881	181,591	25,120	102,428	21,793	43,068
Other noninterest-bearing investments:						
Nonmarketable equity securities	10,182	1,662	23,218	11,965	9,449	2,938
	24,144	183,656	48,552	121,816	31,471	46,775
Net losses		$(159,512)		$(73,264)		$(15,304)
Statement of income information:						
Net impairment losses on investment securities		$(165,134)		$(104,061)		$(33,683)
Equity securities gains, net		8,520		11,253		6,511
Fixed income securities gains (losses), net		(2,898)		19,544		11,868
Net losses		$(159,512)		$(73,264)		$(15,304)

Nontaxable interest income on securities was $13.4 million in 2013, $17.6 million in 2012, and $21.3 million in 2011. Securities with a carrying value of $1.5 billion at both December 31, 2013 and 2012 were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

Subsequent Event

As previously discussed, we determined as of December 31, 2013 an intent to sell certain CDO securities during the first quarter of 2014, and announced that intent in a press release on January 16, 2014. On February 12, 2014, the Company announced the sale through that date of all of the CDO securities identified for sale. In an improving market, proceeds were approximately $347 million from the sale of $631 million par value or $282 million amortized cost of CDO securities, resulting in first quarter pretax gains of $65 million.

7. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	December 31,	
	2013	2012
Loans held for sale	$171,328	$251,651
Commercial:		
Commercial and industrial	$12,481,083	$11,256,945
Leasing	387,929	422,513
Owner occupied	7,437,195	7,589,082
Municipal	449,418	494,183
Total commercial	20,755,625	19,762,723
Commercial real estate:		
Construction and land development	2,182,821	1,939,413
Term	8,005,837	8,062,819
Total commercial real estate	10,188,658	10,002,232
Consumer:		
Home equity credit line	2,133,120	2,177,680
1-4 family residential	4,736,665	4,350,329
Construction and other consumer real estate	324,922	321,235
Bankcard and other revolving plans	356,240	306,428
Other	197,864	216,379
Total consumer	7,748,811	7,372,051
FDIC-supported loans	350,271	528,241
Total loans	$39,043,365	$37,665,247

Land development loans included in the construction and land development loan class were $561 million at December 31, 2013, and $788 million at December 31, 2012.

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

Loan balances are presented net of unearned income and fees, which amounted to $141.7 million at December 31, 2013 and $137.5 million at December 31, 2012.

Owner occupied and commercial real estate (“CRE”) loans include unamortized premiums of approximately $47.2 million at December 31, 2013 and $59.3 million at December 31, 2012.

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

Loans with a carrying value of approximately $23.0 billion at December 31, 2013 and $21.1 billion at December 31, 2012 have been pledged at the Federal Reserve and various Federal Home Loan Banks (“FHLB”) as collateral for current and potential borrowings.

We sold loans totaling $1.6 billion in 2013, $1.7 billion in 2012, and $1.6 billion in 2011, that were previously classified as loans held for sale. Loans reclassified to loans held for sale primarily consist of conforming residential

mortgages. Amounts added to loans held for sale during these years were $1.5 billion, $1.7 billion, and $1.6 billion, respectively. Income from loans sold, excluding servicing, was $24.1 million in 2013, $30.7 million in 2012, and $17.5 million in 2011.

Allowance for Credit Losses

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

Allowance for Loan and Lease Losses

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

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for impaired loans is discussed subsequently. For the commercial and CRE segments, we use a comprehensive loan grading system to assign probability of default (“PD”) and loss given default (“LGD”) grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. PD and LGD grades are based on both financial and statistical models and loan officers’ judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to these loan grade groupings over the period of January 2008 through the most recent full quarter.

For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience by segmenting our consumer loan portfolio into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses. Roll rates incorporate housing market trends inasmuch as these trends manifest themselves in charge-offs and delinquencies. In addition, our qualitative and environmental factors discussed subsequently incorporate the most recent housing market trends.

For FDIC-supported loans purchased with evidence of credit deterioration, we determine the ALLL according to separate accounting guidance. The accounting for these loans, including the allowance calculation, is described in the Purchased Loans section following.

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

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio

- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability
- Effects of other external factors

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

Reserve for Unfunded Lending Commitments

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

Changes in ACL Assumptions

We regularly evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. During the third quarter of 2013, we changed certain assumptions, including the credit conversion factors, in our RULC estimation process, specifically the rate at which unfunded commitments are likely to convert into funded balances. This change resulted in a decrease of $18.4 million to the provision for unfunded lending commitments during that quarter. Additionally during the third quarter of 2013, we made refinements to our risk grading methodology for certain smaller balance loans to be more consistent with regulatory guidance and the manner in which those loans are managed. These refinements decreased the classified loan balances by approximately $137 million and did not have a material effect on the overall level of the ACL or the provision for loan losses.

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

Changes in the ACL are summarized as follows:

(In thousands)	December 31, 2013				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses					
Balance at beginning of year	$510,908	$276,976	$95,656	$12,547	$896,087
Additions:					
Provision for loan losses	(5,640)	(63,544)	(19,100)	1,148	(87,136)
Adjustment for FDIC-supported loans	—	—	—	(11,237)	(11,237)
Deductions:					
Gross loan and lease charge-offs	(75,434)	(24,609)	(28,960)	(1,794)	(130,797)
Recoveries	35,311	24,540	13,269	6,254	79,374
Net loan and lease charge-offs	(40,123)	(69)	(15,691)	4,460	(51,423)
Balance at end of year	$465,145	$213,363	$60,865	$6,918	$746,291
Reserve for unfunded lending commitments					
Balance at beginning of year	$67,374	$37,852	$1,583	$—	$106,809
Provision charged (credited) to earnings	(19,029)	(367)	2,292	—	(17,104)
Balance at end of year	$48,345	$37,485	$3,875	$—	$89,705
Total allowance for credit losses					
Allowance for loan losses	$465,145	$213,363	$60,865	$6,918	$746,291
Reserve for unfunded lending commitments	48,345	37,485	3,875	—	89,705
Total allowance for credit losses	$513,490	$250,848	$64,740	$6,918	$835,996

(In thousands)	December 31, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses					
Balance at beginning of year	$561,351	$343,747	$123,115	$23,472	$1,051,685
Additions:					
Provision for loan losses	16,808	(18,982)	18,389	(1,988)	14,227
Adjustment for FDIC-supported loans	—	—	—	(14,542)	(14,542)
Deductions:					
Gross loan and lease charge-offs	(117,506)	(82,944)	(60,273)	(6,466)	(267,189)
Recoveries	50,255	35,155	14,425	12,071	111,906
Net loan and lease charge-offs	(67,251)	(47,789)	(45,848)	5,605	(155,283)
Balance at end of year	$510,908	$276,976	$95,656	$12,547	$896,087
Reserve for unfunded lending commitments					
Balance at beginning of year	$77,232	$23,572	$1,618	$—	$102,422
Provision charged (credited) to earnings	(9,858)	14,280	(35)	—	4,387
Balance at end of year	$67,374	$37,852	$1,583	$—	$106,809
Total allowance for credit losses					
Allowance for loan losses	$510,908	$276,976	$95,656	$12,547	$896,087
Reserve for unfunded lending commitments	67,374	37,852	1,583	—	106,809
Total allowance for credit losses	$578,282	$314,828	$97,239	$12,547	$1,002,896

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

During the first quarter of 2013, we modified the reporting of certain ALLL balances in the previous schedules. This change in reporting resulted in the reclassification of approximately $83.2 million at December 31, 2012 of ALLL balances from the commercial to the commercial real estate loan segments. There was no change to the methodology or assumptions used to estimate the ALLL, nor was the change the result of any changes in credit quality.

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

	December 31, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses					
Individually evaluated for impairment	$39,288	$12,510	$10,701	$—	$62,499
Collectively evaluated for impairment	425,857	200,853	50,164	392	677,266
Purchased loans with evidence of credit deterioration	—	—	—	6,526	6,526
Total	$465,145	$213,363	$60,865	$6,918	$746,291
Outstanding loan balances					
Individually evaluated for impairment	$315,604	$262,907	$101,545	$1,224	$681,280
Collectively evaluated for impairment	20,440,021	9,925,751	7,647,266	37,963	38,051,001
Purchased loans with evidence of credit deterioration	—	—	—	311,084	311,084
Total	$20,755,625	$10,188,658	$7,748,811	$350,271	$39,043,365

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

Nonaccrual and Past Due Loans

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

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability and willingness to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.
Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

	December 31,	
(In thousands)	2013	2012
Commercial:		
Commercial and industrial	$97,960	$90,859
Leasing	757	838
Owner occupied	136,281	206,031
Municipal	9,986	9,234
Total commercial	244,984	306,962
Commercial real estate:		
Construction and land development	29,205	107,658
Term	60,380	124,615
Total commercial real estate	89,585	232,273
Consumer:		
Home equity credit line	8,969	14,247
1-4 family residential	53,002	70,180
Construction and other consumer real estate	3,510	4,560
Bankcard and other revolving plans	1,365	1,190
Other	804	1,398
Total consumer loans	67,650	91,575
FDIC-supported loans	4,394	17,343
Total	$406,613	$648,153

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

December 31, 2013

(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Commercial:							
Commercial and industrial	$12,387,546	$48,811	$44,726	$93,537	$12,481,083	$1,855	$52,412
Leasing	387,526	173	230	403	387,929	36	563
Owner occupied	7,357,618	36,718	42,859	79,577	7,437,195	744	82,072
Municipal	440,608	3,307	5,503	8,810	449,418	—	1,176
Total commercial	20,573,298	89,009	93,318	182,327	20,755,625	2,635	136,223
Commercial real estate:							
Construction and land development	2,162,018	8,967	11,836	20,803	2,182,821	23	17,311
Term	7,971,327	15,362	19,148	34,510	8,005,837	5,580	42,624
Total commercial real estate	10,133,345	24,329	30,984	55,313	10,188,658	5,603	59,935
Consumer:							
Home equity credit line	2,122,549	8,001	2,570	10,571	2,133,120	98	2,868
1-4 family residential	4,704,852	8,526	23,287	31,813	4,736,665	667	27,592
Construction and other consumer real estate	322,807	1,038	1,077	2,115	324,922	—	2,232
Bankcard and other revolving plans	353,060	2,093	1,087	3,180	356,240	900	1,105
Other	196,327	827	710	1,537	197,864	54	125
Total consumer loans	7,699,595	20,485	28,731	49,216	7,748,811	1,719	33,922
FDIC-supported loans	305,709	12,026	32,536	44,562	350,271	30,391	1,975
Total	$38,711,947	$145,849	$185,569	$331,418	$39,043,365	$40,348	$232,055

December 31, 2012

(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Commercial:							
Commercial and industrial	$11,124,639	$73,555	$58,751	$132,306	$11,256,945	$4,013	$32,389
Leasing	421,590	115	808	923	422,513	—	—
Owner occupied	7,447,083	56,504	85,495	141,999	7,589,082	1,822	100,835
Municipal	494,183	—	—	—	494,183	—	9,234
Total commercial	19,487,495	130,174	145,054	275,228	19,762,723	5,835	142,458
Commercial real estate:							
Construction and land development	1,836,284	66,139	36,990	103,129	1,939,413	853	50,044
Term	7,984,819	24,730	53,270	78,000	8,062,819	107	54,546
Total commercial real estate	9,821,103	90,869	90,260	181,129	10,002,232	960	104,590
Consumer:							
Home equity credit line	2,169,722	4,036	3,922	7,958	2,177,680	—	8,846
1-4 family residential	4,282,611	24,060	43,658	67,718	4,350,329	1,423	21,945
	314,931	4,344	1,960	6,304	321,235	395	2,500

Construction and other consumer real estate							
Bankcard and other revolving plans	302,587	2,439	1,402	3,841	306,428	1,010	721
Other	213,930	1,411	1,038	2,449	216,379	107	275
Total consumer loans	7,283,781	36,290	51,980	88,270	7,372,051	2,935	34,287
FDIC-supported loans	454,333	12,407	61,501	73,908	528,241	52,033	7,393
Total	$37,046,712	$269,740	$348,795	$618,535	$37,665,247	$61,763	$288,728

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

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using a loan grading system. We generally assign internal grades to loans with commitments less than $750,000 based on the performance of those loans. Performance-based grades follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

Definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:

Pass – A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered remote.

Special Mention – A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the bank's credit position at some future date.

Substandard – A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by the distinct possibility that the bank may sustain some loss if deficiencies are not corrected.

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

We generally assign internal risk grades to commercial and CRE loans with commitments equal to or greater than $750,000 based on financial and statistical models, individual credit analysis, and loan officer judgment. For these larger loans, we assign multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged off. We confirm our internal risk grades quarterly, or as soon as we identify information that affects the credit risk of the loan.

For consumer and small commercial loans, we generally assign internal risk grades similar to those described previously based on automated rules that depend on refreshed credit scores, payment performance, and other risk indicators. These are generally assigned either a Pass, Special Mention, or Substandard grade and are reviewed as we identify information that might warrant a downgrade. During the third quarter of 2013, we refined our risk grading methodology for certain smaller balance loans.

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

	December 31, 2013					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$11,807,825	$303,598	$360,391	$9,269	$12,481,083	
Leasing	380,268	2,050	5,611	—	387,929	
Owner occupied	6,827,464	184,328	425,403	—	7,437,195	
Municipal	439,432	—	9,986	—	449,418	
Total commercial	19,454,989	489,976	801,391	9,269	20,755,625	$465,145
Commercial real estate:						
Construction and land development	2,107,828	15,010	59,983	—	2,182,821	
Term	7,569,472	172,856	263,509	—	8,005,837	
Total commercial real estate	9,677,300	187,866	323,492	—	10,188,658	213,363
Consumer:						
Home equity credit line	2,111,475	—	21,645	—	2,133,120	
1-4 family residential	4,668,841	—	67,824	—	4,736,665	
Construction and other consumer real estate	313,881	—	11,041	—	324,922	
Bankcard and other revolving plans	353,618	—	2,622	—	356,240	
Other	196,770	—	1,094	—	197,864	
Total consumer loans	7,644,585	—	104,226	—	7,748,811	60,865
FDIC-supported loans	232,893	22,532	94,846	—	350,271	6,918
Total	$37,009,767	$700,374	$1,323,955	$9,269	$39,043,365	$746,291

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

Total	$35,028,381	$696,548	$1,927,313	$13,005	$37,665,247	$896,087

Impaired Loans

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

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral less the cost to sell. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan's underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the years ended December 31, 2013 and 2012 was not significant.

Information on all impaired loans is summarized as follows, including the average recorded investment and interest income recognized for the years ended December 31, 2013 and 2012:

	December 31, 2013					Year Ended December 31, 2013	
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized
Commercial:							
Commercial and industrial	$178,281	$30,092	$126,692	$156,784	$23,687	$185,895	$3,572
Owner occupied	151,499	50,361	88,584	138,945	13,900	216,218	3,620
Total commercial	329,780	80,453	215,276	295,729	37,587	402,113	7,192
Commercial real estate:							
Construction and land development	85,440	19,206	50,744	69,950	3,483	134,540	4,013
Term	171,826	34,258	112,330	146,588	7,981	286,389	6,686
Total commercial real estate	257,266	53,464	163,074	216,538	11,464	420,929	10,699
Consumer:							
Home equity credit line	17,547	12,568	2,200	14,768	178	13,380	385
1-4 family residential	95,613	38,775	42,132	80,907	10,276	100,283	1,581
Construction and other consumer real estate	4,713	2,643	933	3,576	175	6,218	148
Bankcard and other revolving plans	726	726	—	726	—	—	—
Other	—	—	—	—	—	1,770	—
Total consumer loans	118,599	54,712	45,265	99,977	10,629	121,651	2,114
FDIC-supported loans	404,308	83,917	228,392	312,309	6,526	384,402	112,082 1
Total	$1,109,953	$272,546	$652,007	$924,553	$66,206	$1,329,095	$132,087

(In thousands)	December 31, 2012					Year Ended December 31, 2012	
	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized
Commercial:							
Commercial and industrial	$176,521	$27,035	$119,780	$146,815	$12,198	$199,238	$3,557
Owner occupied	210,319	79,413	106,282	185,695	17,105	262,511	2,512
Total commercial	386,840	106,448	226,062	332,510	29,303	461,749	6,069
Commercial real estate:							
Construction and land development	182,385	67,241	85,855	153,096	5,178	274,226	4,785
Term	310,242	70,718	187,112	257,830	16,725	410,901	7,298
Total commercial real estate	492,627	137,959	272,967	410,926	21,903	685,127	12,083
Consumer:							
Home equity credit line	14,339	8,055	3,444	11,499	297	2,766	42
1-4 family residential	108,934	42,602	49,867	92,469	12,921	107,118	1,629
Construction and other consumer real estate	7,054	2,710	3,085	5,795	517	9,697	188
Bankcard and other revolving plans	287	—	287	287	1	24	—
Other	2,454	1,832	175	2,007	22	1,055	—
Total consumer loans	133,068	55,199	56,858	112,057	13,758	120,660	1,859
FDIC-supported loans	895,804	275,187	195,158	470,345	12,125	622,125	89,921 [1]
Total	$1,908,339	$574,793	$751,045	$1,325,838	$77,089	$1,889,661	$109,932

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

Modified and Restructured Loans

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

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

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

its modified terms.

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

	December 31, 2013						
	Recorded investment resulting from the following modification types:						
(In thousands)	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$1,143	$9,848	$ 11,491	$3,217	$4,308	$ 53,117	$83,124
Owner occupied	22,841	1,482	987	1,291	9,659	23,576	59,836
Total commercial	23,984	11,330	12,478	4,508	13,967	76,693	142,960
Commercial real estate:							
Construction and land development	1,067	8,231	—	1,063	4,119	28,295	42,775
Term	7,542	9,241	190	3,783	14,932	61,024	96,712
Total commercial real estate	8,609	17,472	190	4,846	19,051	89,319	139,487
Consumer:							
Home equity credit line	743	—	9,438	—	323	332	10,836
1-4 family residential	2,628	997	6,814	643	3,083	35,869	50,034
Construction and other consumer real estate	128	329	11	—	—	1,514	1,982
Other	—	—	—	—	—	—	—
Total consumer loans	3,499	1,326	16,263	643	3,406	37,715	62,852
Total accruing	36,092	30,128	28,931	9,997	36,424	203,727	345,299
Nonaccruing							
Commercial:							
Commercial and industrial	2,028	6,989	—	473	8,948	10,395	28,833
Owner occupied	3,020	1,489	1,043	1,593	10,482	14,927	32,554
Total commercial	5,048	8,478	1,043	2,066	19,430	25,322	61,387
Commercial real estate:							
Construction and land development	11,699	1,555	—	—	5,303	8,617	27,174
Term	2,126	—	—	1,943	315	14,861	19,245
Total commercial real estate	13,825	1,555	—	1,943	5,618	23,478	46,419
Consumer:							
Home equity credit line	—	—	1,036	—	221	—	1,257
1-4 family residential	4,315	1,396	1,606	—	3,901	14,109	25,327
Construction and other consumer real estate	4	1,260	—	—	—	229	1,493
Bankcard and other revolving plans	—	252	—	—	—	—	252
Other	—	—	—	—	—	—	—
Total consumer loans	4,319	2,908	2,642	—	4,122	14,338	28,329
Total nonaccruing	23,192	12,941	3,685	4,009	29,170	63,138	136,135
Total	$59,284	$43,069	$ 32,616	$14,006	$65,594	$ 266,865	$481,434

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

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

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

Unused commitments to extend credit on TDRs amounted to approximately $6 million at December 31, 2013 and $13 million at December 31, 2012.

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The total recorded investment of all TDRs in which interest rates were modified below market was $172.6 million and $225.6 million at December 31, 2013 and 2012, respectively. These loans are included in the previous schedule in the columns for interest rate below market and multiple modification types.

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

(In thousands)	Year Ended December 31, 2013	2012
Commercial:		
Commercial and industrial	$(1)	$(287)
Owner occupied	(4,672)	(1,612)
Total commercial	(4,673)	(1,899)
Commercial real estate:		
Construction and land development	(1,342)	(1,069)
Term	(8,908)	(6,664)
Total commercial real estate	(10,250)	(7,733)
Consumer:		
Home equity credit line	(121)	(86)
1-4 family residential	(14,980)	(16,164)
Construction and other consumer real estate	(433)	(674)
Total consumer loans	(15,534)	(16,924)
Total decrease to interest income[1]	$(30,457)	$(26,556)

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

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

As of December 31, 2013, the recorded investment of accruing and nonaccruing TDRs that had a payment default during the year listed below (and are still in default at year-end) and are within 12 months or less of being modified as TDRs is as follows:

(In thousands)	December 31, 2013			December 31, 2012		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$—	$—	$—	$—	$1,816	$1,816
Owner occupied	—	430	430	159	679	838
Total commercial	—	430	430	159	2,495	2,654
Commercial real estate:						
Construction and land development	—	1,676	1,676	—	—	—
Term	—	—	—	—	—	—
Total commercial real estate	—	1,676	1,676	—	—	—
Consumer:						
Home equity credit line	—	342	342	—	336	336
1-4 family residential	—	2,592	2,592	—	8,085	8,085
Total consumer loans	—	2,934	2,934	—	8,421	8,421
Total	$—	$5,040	$5,040	$159	$10,916	$11,075

Note: Total loans modified as TDRs during the 12 months previous to December 31, 2013 and 2012 were $155.8 million and $174.0 million, respectively.

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. These potential concentrations include, but are not limited to, individual borrowers, groups of borrowers, industries, geographies, collateral types, sponsors, etc. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Our analysis as of December 31, 2013 concluded that no significant exposure exists from such credit risk concentrations. See Note 8 for a discussion of counterparty risk associated with the Company's derivative transactions.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. Purchased credit-impaired ("PCI") loans have evidence of credit deterioration at the time of acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.
During 2009, CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. According to the agreements, the FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above that threshold for a period of five years, or in 2014. The covered portfolio primarily consists of commercial loans. The agreements expire after ten years, or in 2019, for single family residential loans. The loans acquired from the FDIC are presented separately in the Company's balance sheet as "FDIC-supported loans" and include both PCI and certain other acquired loans. Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL.

Outstanding Balances and Accretable Yield

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

	December 31,	
(In thousands)	2013	2012
Commercial	$150,191	$227,414
Commercial real estate	233,720	382,068
Consumer	28,608	41,398
Outstanding balance	$412,519	$650,880
Carrying amount	$311,797	$472,040
ALLL	6,478	12,077
Carrying amount, net	$305,319	$459,963

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

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

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

(In thousands)	2013	2012
Balance at beginning of year	$134,461	$184,679
Accretion	(111,951)	(89,849)
Reclassification from nonaccretable difference	36,467	30,632
Disposals and other	18,551	8,999
Balance at end of year	$77,528	$134,461

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

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

ALLL Determination

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

During 2013, 2012 and 2011, we adjusted the ALLL for acquired loans by recording a negative provision for loan losses of $(10.1) million in 2013, $(16.5) million in 2012, and $(1.7) million in 2011. The provision is net of the ALLL reversals discussed subsequently. As separately discussed and in accordance with the loss sharing agreements, changes to the provision affect the net amounts recoverable from the FDIC and the balance of the FDIC IA. These adjustments, before FDIC indemnification, resulted in net recoveries of $4.8 million in 2013 and $8.6 million in 2012, and net charge offs of $7.1 million in 2011.

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

Changes in Cash Flow Estimates

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

For increases in carrying values that resulted from better-than-expected cash flows, we use such increases first to reverse any existing ALLL. During 2013, 2012, and 2011, total reversals to the ALLL, including the impact of increases in estimated cash flows, were $15.1 million in 2013 and $20.4 million in 2012. and $16.1 million in 2011. When there is no current ALLL, we increase the amount of accretable yield on a prospective basis over the

remaining life of the loan and recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense. Changes that increase cash flows have been due primarily to (1) the enhanced economic status of borrowers compared to original evaluations, (2) improvements in the Southern California market where the majority of these loans were originated, and (3) stronger efforts by our credit officers and loan workout professionals to resolve problem loans.
The impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $90.9 million in 2013, $58.5 million in 2012, and $78.4 million in 2011, of additional interest income, and $75.0 million in 2013, $46.2 million in 2012, and $56.6 million in 2011, of additional other noninterest expense due to the reduction of the FDIC IA.
FDIC Indemnification Asset
The amount of the FDIC IA was initially recorded at fair value using estimated cash flows based on credit adjustments for each loan or loan pool and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect our expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity. As previously discussed, the amount is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing agreements are updated. Estimated loan losses, if any, in excess of the amounts recoverable are reflected as period expenses through the provision for loan losses.

We account for any change in measurement of the IA due to a change in expected cash flows on the same basis as the change in the indemnified loans. Any amortization period for changes in value of the IA would be limited to the lesser of the term of the indemnification agreement or the remaining life of the indemnified loans.

Changes in the FDIC IA were as follows:

(In thousands)	2013	2012
Balance at beginning of year	$90,929	$133,810
Amounts filed with the FDIC and collected or in process	21,302	17,004
Net change in asset balance due to reestimation of projected cash flows [1]	(85,820)	(59,885)
Balance at end of year	$26,411	$90,929

[1] Negative amounts result from the accretion of loan balances based on increases in cash flow estimates on the underlying indemnified loans.

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

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES
We record all derivatives on the balance sheet at fair value. Note 21 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the asset(s) to be protected, these derivatives generally may not be designated as accounting hedges. See discussion following regarding the total return swap and estimation of its fair value.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge

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ineffectiveness, is reflected in earnings. In previous years, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized into earnings, as discussed subsequently.

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

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

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

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

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

Our derivative contracts require us to pledge collateral for derivatives that are in a net liability position by greater than specified amounts. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At December 31, 2013, the fair value of our derivative liabilities was $68.4 million, for which we were required to pledge cash collateral of approximately $34.9 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor’s or Moody’s at December 31, 2013, the additional amount of collateral we could be required to pledge is $1.5 million. Since June 2013, as required by the Dodd-Frank Act, all new eligible derivatives entered into are cleared through a central clearinghouse. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if our credit rating is downgraded.

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

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

(In thousands)	December 31, 2013 Notional amount	December 31, 2013 Fair value Other assets	December 31, 2013 Fair value Other liabilities	December 31, 2012 Notional amount	December 31, 2012 Fair value Other assets	December 31, 2012 Fair value Other liabilities
Derivatives designated as hedging instruments						
Cash flow hedges [1]:						
Interest rate swaps	$100,000	$202	$583	$150,000	$1,188	$—
Total derivatives designated as hedging instruments	100,000	202	583	150,000	1,188	—
Derivatives not designated as hedging instruments						
Interest rate swaps	65,850	420	421	98,524	1,043	1,047
Interest rate swaps for customers [2]	2,902,776	55,447	54,688	2,607,603	79,579	82,926
Foreign exchange	751,066	9,614	8,643	520,696	4,404	3,159
Total return swap	1,159,686	—	4,062	1,159,686	—	5,127
Total derivatives not designated as hedging instruments	4,879,378	65,481	67,814	4,386,509	85,026	92,259
Total derivatives	$4,979,378	$65,683	$68,397	$4,536,509	$86,214	$92,259

(In thousands)	Year Ended December 31, 2013 OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense	Year Ended December 31, 2012 OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
	Amount of derivative gain (loss) recognized/reclassified							
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$(225)	$ 2,647			$390	$ 13,062		
	(225)	2,647 [3]			390	13,062 [3]		
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$3,120				$3,054
Total derivatives designated as hedging instruments	(225)	2,647		3,120	390	13,062		3,054
Derivatives not designated as hedging instruments								
Interest rate swaps			$(493)				$(1,467)	
Interest rate swaps for customers [2]			10,918				7,858	
Basis swaps			—				18	
Futures contracts			2				(13)	
Foreign exchange			9,190				8,628	
Total return swap			(21,753)				(21,707)	
Total derivatives not designated as hedging instruments			(2,136)				(6,683)	

Total derivatives	$(225)	$ 2,647	$ (2,136)	$ 3,120	$ 390	$ 13,062	$ (6,683)	$ 3,054

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

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

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

[3] Amounts of $2.6 million for 2013 and $13.1 million for 2012 are the amounts of reclassification to earnings presented in the tabular changes of AOCI in Note 14.

At December 31, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $1.6 million and $(2.4) million in 2013, and $3.1 million and $(0.2) million in 2012, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

Under master netting arrangements, we offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against recognized fair value amounts of derivatives executed with the same counterparty. At both December 31, 2013 and 2012, no cash collateral was used for such offsets.

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

Options contracts were used to economically hedge certain interest rate exposures of previously used Eurodollar futures contracts. During 2012, all of the remaining options contracts expired after we terminated during 2011 all of the Eurodollar and federal funds futures contracts, or a net amount of approximately $9.5 billion.

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

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following December 31, 2013, we estimate that an additional $1.3 million will be reclassified.

Total Return Swap

On July 28, 2010, we entered into a total return swap ("TRS") and related interest rate swaps with Deutsche Bank AG ("DB") relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). The transaction reduced regulatory risk-weighted assets and improved the Company's risk-based capital ratios. The transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized, and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.

The fair value of the TRS derivative liability was $4.1 million and $5.1 million at December 31, 2013 and 2012, respectively.

Both the fair values of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. The Company is able to cancel the transaction once each calendar quarter; if the TRS were canceled, no further costs would be incurred beyond the quarter of cancellation. Accordingly, absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its December 31, 2013 fair value. We expect to incur subsequent net quarterly costs of approximately $5.4 million under the TRS, including related interest rate swaps and scheduled payments of interest on the underlying CDOs, as long as the TRS remains in place for this CDO portfolio. Our estimated quarterly expense amount would be impacted by, among other things, changes in the composition of the CDO portfolio included in the transaction and changes over time in the forward London Interbank Offered Rate ("LIBOR") rate curve. The Company's costs are

also subject to adjustment in the event of future changes in regulatory requirements applicable to DB if we do not then elect to terminate the transaction. Termination by the Company for such regulatory changes applicable to DB will result in no payment by the Company.

At December 31, 2013, we completed a valuation process which resulted in an estimated fair value for the TRS under Level 3. The process utilized valuation inputs from two sources:

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

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

9. PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows:

(In thousands)	December 31, 2013	2012
Land	$185,119	$184,762
Buildings	509,151	497,449
Furniture, equipment and software	664,556	622,170
Leasehold improvements	129,056	121,953
Total	1,487,882	1,426,334
Less accumulated depreciation and amortization	761,510	717,452
Net book value	$726,372	$708,882

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Core deposit and other intangible assets and related accumulated amortization are as follows at December 31:

	Gross carrying amount		Accumulated amortization		Net carrying amount	
(In thousands)	2013	2012	2013	2012	2013	2012
Core deposit intangibles	$180,290	$180,290	$(146,557)	$(133,628)	$33,733	$46,662
Customer relationships and other intangibles	29,064	29,064	(26,353)	(24,908)	2,711	4,156
	$209,354	$209,354	$(172,910)	$(158,536)	$36,444	$50,818

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income.

Estimated amortization expense for core deposit and other intangible assets is as follows for the five years succeeding December 31, 2013:
(In thousands)

2014	$10,924
2015	9,247
2016	7,888
2017	6,370
2018	1,556

Changes in the carrying amount of goodwill for operating segments with goodwill are as follows:

(In thousands)	Zions Bank	CB&T	Amegy	Other	Consolidated Company
Balance at December 31, 2011	$19,514	$379,024	$615,591	$1,000	$1,015,129
Impairment losses	—	—	—	(1,000)	(1,000)
Balance at December 31, 2012	19,514	379,024	615,591	—	1,014,129
Impairment losses	—	—	—	—	—
Balance at December 31, 2013	$19,514	$379,024	$615,591	$—	$1,014,129

A Company-wide annual impairment test is conducted as of October 1 of each year and updated on a more frequent basis when events or circumstances indicate that impairment could have taken place. Results of the testing for 2013 concluded that no impairment was present in any of the operating segments. For 2012, no impairment was present, except for TCBO included in the Other segment. A comparison of fair value to carrying value determined that the entire remaining $1 million of TCBO's goodwill should be impaired.

11. DEPOSITS

At December 31, 2013, the scheduled maturities of all time deposits were as follows:
(In thousands)

2014	$2,216,605
2015	265,984
2016	161,620
2017	86,903
2018	113,534
Thereafter	663
	$2,845,309

At December 31, 2013, the contractual maturities of domestic time deposits with a denomination of $100,000 and over were as follows: $351 million in 3 months or less, $301 million over 3 months through 6 months, $374 million over 6 months through 12 months, and $304 million over 12 months.

Domestic time deposits under $100,000 were $1.3 billion and $1.5 billion at December 31, 2013 and 2012, respectively. Domestic time deposits $100,000 and over were $1.3 billion and $1.5 billion at December 31, 2013 and 2012, respectively. Foreign time deposits $100,000 and over were $252 million and $213 million at December 31, 2013 and 2012, respectively.

Deposit overdrafts reclassified as loan balances were $39 million and $78 million at December 31, 2013 and 2012, respectively.

12. SHORT-TERM BORROWINGS

Selected information for federal funds purchased and security repurchase agreements is as follows:

(Amounts in thousands)	2013	2012	2011
Federal funds purchased:			
Average amount outstanding	$150,217	$280,859	$312,730
Weighted average rate	0.15 %	0.19 %	0.20 %
Highest month-end balance	$206,450	$560,674	$361,217
Year-end balance	129,131	175,468	214,224
Weighted average rate on outstandings at year-end	0.14 %	0.13 %	0.20 %
Security repurchase agreements:			
Average amount outstanding	$124,929	$190,365	$340,015
Weighted average rate	0.05 %	0.04 %	0.05 %
Highest month-end balance	$137,611	$264,187	$393,874
Year-end balance	137,611	145,010	393,874
Weighted average rate on outstandings at year-end	0.05 %	0.04 %	0.06 %
Federal funds purchased and security repurchase agreements at year-end	$266,742	$320,478	$608,098

These short-term borrowings generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis (e.g., 30 or 60 days). Certain overnight repurchase agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under our control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. At December 31, 2013, all security repurchase agreements were overnight.

Other short-term borrowings are summarized as follows:

(In thousands)	December 31, 2013	2012
Senior medium-term notes	$—	$4,951
Commercial paper	—	—
Other	—	458
	$—	$5,409

Our subsidiary banks may borrow from the FHLB under their lines of credit that are secured under blanket pledge arrangements. The subsidiary banks maintain unencumbered collateral with carrying amounts adjusted for the types of collateral pledged, equal to at least 100% of the outstanding advances. At December 31, 2013, the amount available for FHLB advances was approximately $11.0 billion. At December 31, 2013, no short-term FHLB advances were outstanding.

Our subsidiary banks also borrow from the Federal Reserve through the Term Auction Facility. Amounts that can be borrowed are based on the amount of collateral pledged to a Federal Reserve Bank. At December 31, 2013, the amount available for additional Federal Reserve borrowings was approximately $5.3 billion.

13. LONG-TERM DEBT

Long-term debt is summarized as follows:

(In thousands)	December 31, 2013	2012
Junior subordinated debentures related to trust preferred securities	$168,043	$461,858
Convertible subordinated notes	184,147	308,468
Subordinated notes	443,231	217,175
Senior notes	1,454,779	1,325,630
FHLB advances	22,736	23,300
Capital lease obligations and other	639	682
	$2,273,575	$2,337,113

The preceding amounts represent the par value of the debt adjusted for any unamortized premium or discount or other basis adjustments, including the value of associated hedges.

Trust Preferred Securities

Junior subordinated debentures related to trust preferred securities were issued to the following trusts at December 31, 2013:

(Amounts in thousands)	Balance	Coupon rate [1]	Maturity
Amegy Statutory Trust I	$51,547	3mL+2.85% (3.09%)	Dec 2033
Amegy Statutory Trust II	36,083	3mL+1.90% (2.14%)	Oct 2034
Amegy Statutory Trust III	61,856	3mL+1.78% (2.02%)	Dec 2034
Stockmen's Statutory Trust II	7,732	3mL+3.15% (3.40%)	Mar 2033
Stockmen's Statutory Trust III	7,732	3mL+2.89% (3.13%)	Mar 2034
Intercontinental Statutory Trust I	3,093	3mL+2.85% (3.09%)	Mar 2034
	$168,043		

[1] Designation of "3mL" is three-month LIBOR; effective interest rate at the beginning of the accrual period commencing on or before December 31, 2013 is shown in parenthesis.

The junior subordinated debentures are issued or have been assumed by the Parent or Amegy. Each trust has issued a corresponding series of trust preferred security obligations. The trust obligations are in the form of capital securities subject to mandatory redemption upon repayment of the junior subordinated debentures by the Parent or Amegy, as the case may be. The sole assets of the trusts are the junior subordinated debentures.

Interest distributions are made quarterly at the same rates earned by the trusts on the junior subordinated debentures; however, we may defer the payment of interest on the junior subordinated debentures. Early redemption is currently possible on all of the debentures and requires the approval of banking regulators.

The debentures for the Amegy and Intercontinental trusts are direct and unsecured obligations of Amegy and are subordinate to other indebtedness and general creditors. The debentures for the Stockmen's trusts are unsecured obligations of Stockmen's assumed by the Parent in connection with the acquisition of Stockmen's by NBAZ. Amegy has unconditionally guaranteed the obligations of the Amegy and Intercontinental trusts with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. The Parent has assumed Stockmen's unconditional guarantees of the obligations of the Stockmen's trusts with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. See discussion under Debt Redemptions following.

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Subordinated Notes

Subordinated notes consist of the following at December 31, 2013:

(Amounts in thousands)	Convertible subordinated notes		Subordinated notes		
Coupon rate	Balance	Par amount	Balance	Par amount	Maturity
5.65%	$70,218	$75,704	$30,494	$30,173	May 2014
6.00%	60,107	79,292	33,697	32,366	Sep 2015
5.50%	53,822	71,595	54,149	52,078	Nov 2015
5.65%			162,000	162,000	Nov 2023
6.95%			87,891	87,891	Sep 2028
3mL+1.25% (1.50%) [1]			75,000	75,000 [2]	Sep 2014
	$184,147	$226,591	$443,231	$439,508	

[1] Designation of "3mL" is three-month LIBOR; effective interest rate at the beginning of the accrual period commencing on or before December 31, 2013 is shown in parenthesis.

[2] Issued by Amegy.

These notes are unsecured and are not redeemable prior to maturity, except those noted subsequently. Also, see discussion under Debt Redemptions following. Interest is payable semiannually on all these notes except for the 6.95% notes whose quarterly interest payments commence December 15, 2013 to the earliest possible redemption date of September 15, 2023, after which the interest rate changes to an annual floating rate equal to 3mL+3.89%. Interest payments on the $162 million notes commence May 15, 2014 to the earliest possible redemption date of November 15, 2018, after which they are payable quarterly at an annual floating rate equal to 3mL+4.19%.

Convertible Subordinated Notes

The convertible subordinated notes resulted from the modification in 2009 of $1.2 billion par value of subordinated notes. The convertible subordinated notes permit conversion on a par-for-par basis into either the Company's Series A or Series C preferred stock. The carrying value of the subordinated notes at the time of modification included associated terminated fair value hedges. Holders of the convertible subordinated notes are allowed to convert on the interest payment dates of the debt. As discussed in Note 14, we recorded the intrinsic value of the beneficial conversion feature ("BCF") directly in common stock in connection with the modification of the subordinated notes. Note 14 also discusses the redemption in September 2013 of all of the $800 million par amount of Series C preferred stock. No conversions of convertible subordinated notes have occurred since this redemption. Subordinated notes converted to preferred stock prior to this redemption amounted to $1.2 million in 2013, $89.6 million in 2012, and $256.1 million in 2011.

The convertible debt discount recorded in connection with the subordinated debt modification is amortized to interest expense using the interest method over the remaining terms of the convertible subordinated notes. When holders of the convertible subordinated notes exercise their rights to convert to preferred stock, the rate of amortization is accelerated by immediately expensing any unamortized discount associated with the converted debt. Amortization of the convertible debt discount is summarized as follows:

(In thousands)	2013	2012	2011
Balance at beginning of year	$149,333	$224,206	$385,831
Discount amortization on convertible subordinated debt	(48,378)	(43,341)	(46,021)
Accelerated discount amortization on convertible subordinated debt	(368)	(31,532)	(115,604)
Accelerated discount amortization resulting from tender offer for debt repurchases (subsequently discussed)	(58,143)	—	—
Total amortization	(106,889)	(74,873)	(161,625)
Balance at end of year	$42,444	$149,333	$224,206

As discussed in Note 7, we terminated all fair value hedges that had been used for the subordinated notes. The remaining value of $3.8 million and $7.8 million at December 31, 2013 and 2012, respectively, is amortized as a reduction of interest expense over the periods to the previously stated maturity dates of the notes. See Debt Redemptions regarding the tender offer for debt repurchases.

Senior Notes

Senior notes consist of the following at December 31, 2013:

(Amounts in thousands)

Coupon rate	Balance	Par amount	Maturity
7.75%	$235,382	$240,769	September 2014
4.0%	196,103	198,448	June 2016
4.5%	388,467	400,000	March 2017
4.5%	299,199	300,000	June 2023
2.55% - 5.50%	335,628	335,881	Feb 2014 - Nov 2019
	$1,454,779		

These notes are unsecured and interest is payable semiannually. The notes were issued under a shelf registration filed with the SEC and were sold via the Company's online auction process and direct sales. The notes are not redeemable prior to maturity except for the $335.6 million notes, of which $267.6 million have optional early redemptions as follows: $135.3 million as of December 31, 2013, $93.9 million in 2014, $27.3 million in 2015, and $11.1 million in 2016.

Debt Redemptions and Repurchases

Effective December 6, 2013, we completed the purchases of $250 million par amount of our 5.5% and 6.0% convertible and nonconvertible subordinated notes. The purchases were made as a result of separate cash tender offers totaling $250 million that were announced on November 6, 2013.

Following our tender offer announced May 31, 2013, we repurchased on June 18, 2013 approximately $258 million of our $500 million outstanding 7.75% senior notes due September 23, 2014.

On May 3, 2013, Zions Capital Trust B redeemed all of its 8.0% trust preferred securities, or 11.4 million shares, at 100% of their $25 per share liquidation amount for a total of $285 million.

Total debt extinguishment costs for all of the redemptions previously discussed were $120.2 million, which consisted of $45.8 million of early tender premiums and $74.4 million in write-offs of unamortized debt discount and issuance costs.

On the maturity date of June 21, 2012, we redeemed all $254.9 million of variable rate senior medium-term notes that were guaranteed under the FDIC's Temporary Liquidity Guarantee Program. We have no other notes outstanding under this program.

Federal Home Loan Bank Advances

The FHLB advances were issued to Amegy with maturities from June 2014 to September 2041 at interest rates from 2.81% to 6.98%. The weighted average interest rate on advances outstanding was 4.5% at both December 31, 2013 and 2012.

Maturities of Long-term Debt

Maturities of long-term debt are as follows for the years succeeding December 31, 2013:

(In thousands)	Consolidated	Parent only
2014	$460,825	$385,771
2015	279,538	279,482
2016	318,057	318,004
2017	405,923	405,865
2018	38,346	38,285
Thereafter	767,073	591,400
	$2,269,762	$2,018,807

These maturities do not include the associated hedges. The $591.4 million of Parent only maturities payable after 2018 consist of $15.5 million of junior subordinated debentures payable to Stockmen's Trust II and III and $575.9 million of senior notes.

14. SHAREHOLDERS' EQUITY

Preferred Stock

Preferred stock is without par value and has a liquidation preference of $1,000 per share, or $25 per depositary share. Except for Series I and J, all preferred shares were issued in the form of depositary shares, with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. All preferred shares are registered with the SEC.

In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings available to common shareholders and are paid on the 15th day of the months indicated in the following schedule. Dividends are approved by the Board of Directors and are subject to regulatory approval. Redemption of the preferred stock is at the Company's option after the expiration of any applicable redemption restrictions. The redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. Redemptions are subject to certain regulatory provisions.

Preferred stock is summarized as follows:

(Amounts in thousands)	Carrying value at December 31,		Shares at December 31, 2013			Dividends payable	Earliest redemption date	Rate following earliest redemption date (when applicable)	Dividends payable after change
	2013	2012	Authorized	Outstanding	Rate				
Series A	$66,127	$60,220	140,000	66,000	> of 4.0% or 3mL+0.52%	Qtrly Mar,Jun,Sep,Dec	Dec 15, 2011		
Series C	—	924,332							
Series F	143,750	143,750	250,000	143,750	7.9%	Qtrly Mar,Jun,Sep,Dec	Jun 15, 2017		
Series G	171,827	—	200,000	171,827	6.3%	Qtrly Mar,Jun,Sep,Dec	Mar 15, 2023	annual float-ing rate = 3mL+4.24%	
Series H	126,221	—	126,221	126,221	5.75%	Qtrly Mar,Jun,Sep,Dec	Jun 15, 2019		
Series I	300,893	—	300,893	300,893	5.8%	Semi-annually Jun,Dec	Jun 15, 2023	annual float-ing rate = 3mL+3.8%	Qtrly Mar,Jun,Sep
Series J	195,152	—	195,152	195,152	7.2%	Semi-annually Mar,Sep	Sep 15, 2023	annual float-ing rate = 3mL+4.44%	Qtrly Mar,Jun,Sep
	$1,003,970	$1,128,302							

Series C Preferred Stock Redemption
On September 15, 2013, we redeemed all of the outstanding $800 million par amount (799,467 shares) of our 9.5% Series C preferred stock at 100% of the $25 per depositary share redemption amount. As shown in the previous schedule, the summation of December 31, 2013 carrying values for Series G, H, I and J, plus the change in carrying value for Series A between December 31, 2013 and 2012 (reflecting the reopening of Series A preferred shares in 2013), equal the $800 million used to fund this redemption. The Federal Reserve did not object to the element of our Capital Plan to redeem the entire $800 million of our Series C preferred stock subject to issuing an equivalent amount of new preferred shares.

The redemption reduced preferred stock by the $926 million carrying value (at the time of redemption) of the Series C preferred stock. The difference from the par amount, or $126 million, related to the intrinsic value of the beneficial conversion feature (“BCF”) associated with the convertible subordinated debt. The BCF represented the difference on the original commitment date of the fair values of the convertible subordinated debt and the preferred stock into which the debt was convertible. The total BCF of $203 million was included in common stock when the subordinated debt was modified to convertible subordinated debt in June 2009. The Company has “no par” common stock and all additional paid-in capital transactions such as this are recorded in common stock.

Portions of the BCF have been transferred since July 2009 from common stock to preferred stock as holders of convertible subordinated debt exercised rights to convert to the Series C preferred stock. Prior to the redemption, these BCF transfers amounted to $0.2 million in 2013, $15.2 million in 2012, and $43.1 million in 2011. Amounts transferred became part of the carrying value of the preferred stock. The $126 million BCF transfer was recorded as a

preferred stock redemption in the 2013 statement of income. At December 31, 2013, the remaining balance in common stock of the BCF was approximately $76.4 million. Although the legal right to convert continues to exist, if no further conversions occur or the convertible debt matures, the current amount of the BCF will remain in common stock.

Other Preferred Stock Redemptions
The Series D preferred stock was redeemed in two equal installments by September 26, 2012. The total of $1.4 billion had been issued by the U.S. Department of the Treasury under the Troubled Asset Relief Program (“TARP”) Capital Purchase Program (“CPP”). The associated warrants to purchase 5.8 million shares of common stock were auctioned by the U.S. Treasury in December 2012. The Company did not receive any proceeds from the warrant auction. The warrants have an exercise price of $36.27 per share and expire November 14, 2018. The TARP redemption accelerated the amortization to preferred stock dividends in 2012 of the entire remaining unamortized discount. Amortization amounted to $44.7 million in 2012 and $21.6 million in 2011.

The entire Series E preferred stock of $142.5 million was redeemed on its call date of June 15, 2012. Commissions and fees of $3.8 million previously recorded in common stock were charged to retained earnings. Proceeds from the Series F preferred stock were used to redeem the Series E preferred stock.

Common Stock
In 2011, we issued $25.5 million of new common stock under a common equity distribution agreement. The issuance consisted of approximately 1.1 million shares at an average price of $23.89 per share. Net of commissions and fees, this issuances added $25.0 million to common stock.

In addition to the TARP warrants previously discussed, we have issued a total of 29.3 million common stock warrants that can each be exercised for a share of common stock at an initial price of $36.63 through May 22, 2020.

Accumulated Other Comprehensive Income
Effective January 1, 2013, we adopted ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This new guidance under ASU 220, Comprehensive Income, follows ASUs 2011-12 and 2011-05 and finalizes the reporting requirements for reclassifications out of AOCI. Companies must present reclassifications by component when reporting changes in AOCI. Items reclassified in their entirety out of AOCI to net income must have the effect of the reclassification disclosed according to the respective income statement line item. Items not reclassified in their entirety must be cross-referenced to other disclosures in the footnotes. The entire reclassification information must be disclosed in one location, either on the face of the financial statements by income statement line item, or in a footnote. We have elected to present the information in a footnote and include the comparison to the previous year.

Changes in AOCI by component are as follows:

(In thousands)	Net unrealized gains (losses) on investment securities	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
2013:				
Balance at December 31, 2012	$(397,616)	$1,794	$ (50,335)	$(446,157)
Other comprehensive income (loss) before reclassifications, net of tax	127,648	(431)	20,577	147,794
Amounts reclassified from AOCI, net of tax	102,936	(1,580)	4,906	106,262
Other comprehensive income (loss)	230,584	(2,011)	25,483	254,056
Balance at December 31, 2013	$(167,032)	$(217)	$ (24,852)	$(192,101)
Income tax expense (benefit) included in other comprehensive income (loss)	$144,343	$(861)	$ 16,625	$160,107
2012:				
Balance at December 31, 2011	$(546,763)	$9,404	$ (54,725)	$(592,084)
Other comprehensive income (loss) before reclassifications, net of tax	90,924	232	(976)	90,180
Amounts reclassified from AOCI, net of tax	58,223	(7,842)	5,366	55,747
Other comprehensive income (loss)	149,147	(7,610)	4,390	145,927
Balance at December 31, 2012	$(397,616)	$1,794	$ (50,335)	$(446,157)
Income tax expense (benefit) included in other comprehensive income (loss)	$93,213	$(5,063)	$ 2,870	$91,020

(In thousands)	Amounts reclassified from AOCI [1]			Statement of income (SI) Balance sheet (BS)	
Details about AOCI components	2013	2012	2011		Affected line item
Net realized gains (losses) on investment securities	$(2,898)	$19,544	$11,868	SI	Fixed income securities gains (losses), net
Income tax expense (benefit)	(1,123)	7,340	4,476		
	(1,775)	12,204	7,392		
Net unrealized losses on investment securities	(164,732)	(103,720)	(32,914)	SI	Net impairment losses on investment securities
Income tax benefit	(64,829)	(40,156)	(12,670)		
	(99,903)	(63,564)	(20,244)		
Accretion of securities with noncredit-related impairment losses	(2,106)	(11,351)	(665)	BS	Investment securities, held-to-maturity

not expected to be sold					
Deferred income taxes	848	4,488	255	BS	Other assets
	$(102,936)	$(58,223)	$(13,262)		
Net unrealized gains on derivative instruments	$2,647	$13,062	$37,273	SI	Interest and fees on loans
Income tax expense	1,067	5,220	15,019		
	$1,580	$7,842	$22,254		
Amortization of net actuarial loss	$(8,127)	$(8,983)	$(5,149)	SI	Salaries and employee benefits
Amortization of prior service credit	27	120	120	SI	Salaries and employee benefits
Income tax benefit	(3,194)	(3,497)	(1,979)		
	$(4,906)	$(5,366)	$(3,050)		

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

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Deferred Compensation

Deferred compensation consists of invested assets, including the Company's common stock, which are held in rabbi trusts for certain employees and directors. At both December 31, 2013 and 2012, the cost of the common stock included in retained earnings was approximately $15.0 million. We consolidate the fair value of invested assets of the trusts along with the total obligations and include them in other assets and other liabilities, respectively, in the balance sheet. At December 31, 2013 and 2012, total invested assets were approximately $83.7 million and $72.2 million and total obligations were approximately $98.7 million and $87.2 million, respectively.

Noncontrolling Interests

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

15. INCOME TAXES

Income taxes (benefit) are summarized as follows:

(In thousands)	2013	2012	2011
Federal:			
Current	$173,418	$185,404	$62,810
Deferred	(51,475)	(20,086)	106,902
	121,943	165,318	169,712
State:			
Current	29,676	(1,775)	20,169
Deferred	(8,642)	29,873	8,702
	21,034	28,098	28,871
	$142,977	$193,416	$198,583

Income tax expense computed at the statutory federal income tax rate of 35% reconciles to actual income tax expense as follows:

(In thousands)	2013	2012	2011
Income tax expense at statutory federal rate	$142,251	$189,548	$182,446
State income taxes, net	13,672	18,264	18,766
Other nondeductible expenses	2,574	11,291	24,361
Nontaxable income	(17,071)	(20,137)	(19,691)
Tax credits and other taxes	(2,628)	(3,172)	(5,977)
Other	4,179	(2,378)	(1,322)
	$142,977	$193,416	$198,583

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

(In thousands)	December 31, 2013	2012
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	$315,025	$372,206
Pension and postretirement	16,380	33,105
Deferred compensation	85,846	79,921
Other real estate owned	7,099	16,306
Security investments and derivative fair value adjustments	155,900	247,770
Net operating losses, capital losses and tax credits	6,111	36,600
FDIC-supported transactions	10,488	—
Other	44,450	42,324
	641,299	828,232
Valuation allowance	(4,261)	(4,261)
Total deferred tax assets	637,038	823,971
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(13,556)	(24,185)
Premises and equipment, due to differences in depreciation	(13,014)	(16,258)
FHLB stock dividends	(12,668)	(13,423)
Leasing operations	(94,637)	(111,265)
Prepaid expenses	(8,909)	(7,057)
Prepaid pension reserves	(16,909)	(18,350)
Subordinated debt modification	(148,820)	(185,733)
Deferred loan fees	(21,591)	(21,209)
FDIC-supported transactions	—	(17,957)
Other	(2,553)	(2,929)
Total deferred tax liabilities	(332,657)	(418,366)
Net deferred tax assets	$304,381	$405,605

The amount of net deferred tax assets (“DTA”) is included with other assets in the balance sheet. The $4.3 million valuation allowance at December 31, 2013 and 2012 was for certain acquired net operating loss carryforwards included in our acquisition of the remaining interests in a less significant subsidiary. At December 31, 2013, excluding the $4.3 million, the tax effect of remaining net operating loss and tax credit carryforwards was approximately $1.8 million expiring through 2030.

We evaluate the net DTAs on a regular basis to determine whether an additional valuation allowance is required. In conducting this evaluation, we have considered all available evidence, both positive and negative, based on the more-likely-than-not criteria that such assets will be realized. This evaluation includes, but is not limited to: (1) available carryback potential to prior tax years; (2) potential future reversals of existing deferred tax liabilities, which historically have a reversal pattern generally consistent with DTAs; (3) potential tax planning strategies; and (4) future projected taxable income. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of December 31, 2013.

We have an agreement that awarded us a $100 million allocation of tax credit authority under the Community Development Financial Institutions Fund established by the U.S. Government. We have invested the $100 million in a wholly-owned subsidiary which makes qualifying loans and investments. In return, we receive federal income tax credits that are recognized over seven years, including the year in which the funds were invested in the subsidiary. We

recognize these tax credits for financial reporting purposes in the same year the tax benefit is recognized in our

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tax return. The resulting tax credits which reduced income tax expense were approximately $0.6 million in 2013, $1.2 million in 2012, and $2.4 million in 2011. In accordance with the terms of the agreement, our involvement in this program is expected to terminate during 2014.

We have a liability for unrecognized tax benefits relating to uncertain tax positions primarily for various state tax contingencies in several jurisdictions. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

(In thousands)	2013	2012	2011
Balance at beginning of year	$2,385	$13,722	$15,366
Tax positions related to current year:			
Additions	—	—	—
Reductions	—	—	—
Tax positions related to prior years:			
Additions	—	—	—
Reductions	—	(11,337)	—
Settlements with taxing authorities	—	—	—
Lapses in statutes of limitations	—	—	(1,644)
Balance at end of year	$2,385	$2,385	$13,722

At both December 31, 2013 and 2012, the liability for unrecognized tax benefits included approximately $1.6 million (net of the federal tax benefit on state issues) that, if recognized, would affect the effective tax rate. There are no gross unrecognized tax benefits that may decrease during the 12 months subsequent to December 31, 2013.

The $11.3 million reduction to this liability in 2012 was made following closure of an audit by a state taxing authority. We reduced income tax expense by a net amount including interest/penalty of $2.3 million in 2012 due to the audit closure and $1.2 million in 2011 due to lapses in statutes of limitations.

Interest and penalties related to unrecognized tax benefits are included in income tax expense in the statement of income. At both December 31, 2013 and 2012, accrued interest and penalties recognized in the balance sheet, net of any federal and/or state tax benefits, were approximately $0.3 million.

The Company and its subsidiaries file income tax returns in U.S. federal and various state jurisdictions. The Company is no longer subject to income tax examinations for years prior to 2007 for federal and state returns.

On September 19, 2013, the Internal Revenue Service issued final regulations under sections 162(a) and 263(a) of the Internal Revenue Code pertaining to the treatment of amounts paid to acquire, produce or improve tangible property. We are currently analyzing how the new regulations may affect the Company’s financial statements, but we do not anticipate any material impact.

16. NET EARNINGS PER COMMON SHARE

Basic and diluted net earnings per common share based on the weighted average outstanding shares are summarized as follows:

(In thousands, except shares and per share amounts)	Year Ended December 31,		
	2013	2012	2011
Basic:			
Net income applicable to controlling interest	$263,791	$349,516	$323,804
Less common and preferred dividends	(6,094)	178,277	177,775
Undistributed earnings	269,885	171,239	146,029
Less undistributed earnings applicable to nonvested shares	2,832	1,600	1,300
Undistributed earnings applicable to common shares	267,053	169,639	144,729
Distributed earnings applicable to common shares	23,916	7,321	7,292
Total earnings applicable to common shares	$290,969	$176,960	$152,021
Weighted average common shares outstanding	183,844	183,081	182,393
Net earnings per common share	$1.58	$0.97	$0.83
Diluted:			
Total earnings applicable to common shares	$290,969	$176,960	$152,021
Additional undistributed earnings allocated to incremental shares	—	—	41
Diluted earnings applicable to common shares	$290,969	$176,960	$152,062
Weighted average common shares outstanding	183,844	183,081	182,393
Additional weighted average dilutive shares	453	155	212
Weighted average diluted common shares outstanding	184,297	183,236	182,605
Net earnings per common share	$1.58	$0.97	$0.83

For 2013, preferred dividends included a preferred stock redemption of approximately $126 million that resulted from the redemption of the Company’s Series C preferred stock. See further discussion in Note 14.

17. SHARE-BASED COMPENSATION

We have a stock option and incentive plan which allows us to grant stock options, restricted stock, restricted stock units (“RSUs”), and other awards to employees and nonemployee directors. Total shares authorized under the plan were 19,500,000 at December 31, 2013, of which 5,696,668 were available for future grants.

All share-based payments to employees, including grants of employee stock options, are recognized in the statement of income based on their fair values. The fair value of an equity award is estimated on the grant date without regard to service or performance vesting conditions.

Compensation expense and the related tax benefit for all share-based awards were as follows:

(In thousands)	2013	2012	2011
Compensation expense	$28,052	$31,533	$29,019
Reduction of income tax expense	9,123	10,724	9,768

Compensation expense is included in salaries and employee benefits in the statement of income, with the corresponding increase included in common stock, except for the portion related to the salary stock units ("SSUs") granted in 2012 and 2011, which was settled in cash. See subsequent discussion.

We classify all share-based awards as equity instruments except for the 2012 and 2011 SSUs that were classified as liabilities. Substantially all awards of stock options, restricted stock, and RSUs have graded vesting that is recognized on a straight-line basis over the vesting period.

As of December 31, 2013, compensation expense not yet recognized for nonvested share-based awards was approximately $25.2 million, which is expected to be recognized over a weighted average period of 2.4 years.

For 2013, tax effects recognized from the exercise of stock options and the vesting of restricted stock and RSUs increased common stock by approximately $0.3 million. For each of 2012 and 2011, the tax effects decreased common stock by approximately $2.8 million. These amounts are included in the net activity under employee plans and related tax benefits in the statement of changes in shareholders' equity.

Stock Options

Stock options granted to employees generally vest at the rate of one third each year and expire seven years after the date of grant. For all stock options granted in 2013, 2012 and 2011, we used the Black-Scholes option pricing model to estimate the fair values of stock options in determining compensation expense. The following summarizes the weighted average of fair value and the significant assumptions used in applying the Black-Scholes model for options granted:

	2013		2012		2011	
Weighted average of fair value for options granted	$6.79		$4.88		$5.78	
Weighted average assumptions used:						
Expected dividend yield	1.3	%	1.5	%	1.0	%
Expected volatility	32.5	%	35.0	%	30.0	%
Risk-free interest rate	0.78	%	0.67	%	1.46	%
Expected life (in years)	4.5		4.5		4.5	

The assumptions for expected dividend yield, expected volatility, and expected life reflect management's judgment and include consideration of historical experience. Expected volatility is based in part on historical volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

The following summarizes our stock option activity for the three years ended December 31, 2013:

	Number of shares	Weighted average exercise price
Balance at December 31, 2010	6,369,239	$47.37
Granted	800,057	23.46
Exercised	(46,749)	13.60
Expired	(1,080,867)	57.27
Forfeited	(107,810)	22.74
Balance at December 31, 2011	5,933,870	43.06
Granted	867,968	18.87
Exercised	(129,616)	14.64
Expired	(568,546)	61.90
Forfeited	(141,351)	21.36
Balance at December 31, 2012	5,962,325	38.87
Granted	1,047,781	27.41
Exercised	(488,479)	20.11
Expired	(574,157)	70.12
Forfeited	(72,880)	22.25
Balance at December 31, 2013	5,874,590	35.54
Outstanding stock options exercisable as of:		
December 31, 2013	4,101,928	$40.40
December 31, 2012	4,379,630	45.26
December 31, 2011	4,211,216	51.26

We issue new authorized shares for the exercise of stock options. The total intrinsic value of stock options exercised was approximately $4.0 million in 2013, $0.7 million in 2012, and $0.4 million in 2011. Cash received from the exercise of stock options was $9.8 million in 2013, $1.9 million in 2012, and $0.6 million in 2011.

Additional selected information on stock options at December 31, 2013 follows:

	Outstanding stock options			Exercisable stock options	
Exercise price range	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
$0.32 to $19.99	1,006,608	$17.39	4.5 [1]	479,584	$15.81
$20.00 to $24.99	1,170,680	23.84	3.8	925,953	23.86
$25.00 to $29.99	1,637,911	27.68	4.5	637,000	27.96
$30.00 to $39.99	10,000	32.45	1.5	10,000	32.45
$40.00 to $44.99	14,000	41.69	1.8	14,000	41.69
$45.00 to $49.99	1,303,896	47.28	1.4	1,303,896	47.28
$50.00 to $59.99	136,531	57.90	1.0	136,531	57.90
$60.00 to $79.99	124,817	68.44	0.8	124,817	68.44
$80.00 to $81.99	36,500	80.65	2.3	36,500	80.65
$82.00 to $83.38	433,647	83.25	0.6	433,647	83.25
	5,874,590	35.54	3.2 [1]	4,101,928	40.40

[1] The weighted average remaining contractual life excludes 21,252 stock options without a fixed expiration date that were obtained with the Amegy acquisition. They expire between the date of termination and one year from the date

of termination, depending upon certain circumstances.

The aggregate intrinsic value of outstanding stock options at December 31, 2013 and 2012 was $23.6 million and $5.4 million, respectively, while the aggregate intrinsic value of exercisable options was $13.7 million and $3.2 million at the same respective dates. For exercisable options, the weighted average remaining contractual life was 2.1 years and 2.6 years at December 31, 2013 and 2012, respectively, excluding the stock options previously noted without a fixed expiration date. At December 31, 2013, 1,729,543 stock options with a weighted average exercise price of $24.38, a weighted average remaining life of 5.8 years, and an aggregate intrinsic value of $9.7 million, were expected to vest.

The previous schedules do not include stock options for employees of our TCBO subsidiary to purchase common stock of TCBO. At December 31, 2013, there were options to purchase 44,100 TCBO shares at exercise prices from $17.85 to $20.58, expiring in June 2018. At December 31, 2013, there were 1,038,000 issued and outstanding shares of TCBO common stock.

Restricted Stock and Restricted Stock Units
Restricted stock and RSUs granted generally vest over four years. Each RSU represents a right to one share of our common stock. During the vesting period, holders of restricted stock and RSUs receive dividend equivalents. In addition, holders of restricted stock have full voting rights. Compensation expense is determined based on the number of restricted shares or RSUs granted and the market price of our common stock at the issue date.

Nonemployee directors were granted 17,444 shares of restricted stock and 4,984 RSUs in 2013; 25,536 shares of restricted stock and 7,296 RSUs in 2012; and 26,433 shares of restricted stock in 2011, which vested over six months.

The following summarizes our restricted stock activity for the three years ended December 31, 2013:

	Number of shares		Weighted average issue price
Nonvested restricted shares at December 31, 2010	1,611,643		$26.30
Issued	616,234		23.43
Vested	(569,794	)	30.43
Forfeited	(258,229	)	24.23
Nonvested restricted shares at December 31, 2011	1,399,854		23.74
Issued	87,480		17.57
Vested	(582,361	)	25.34
Forfeited	(53,737	)	22.83
Nonvested restricted shares at December 31, 2012	851,236		22.07
Issued	56,774		24.55
Vested	(452,743	)	21.80
Forfeited	(44,317	)	24.31
Nonvested restricted shares at December 31, 2013	410,950		22.46

The following summarizes our RSU activity for the three years ended December 31, 2013:

	Number of restricted stock units	Weighted average grant price
Restricted stock units at December 31, 2010	—	$—
Granted	146,165	23.69
Restricted stock units at December 31, 2011	146,165	23.69
Granted	726,779	18.29
Vested	(34,885)	22.46
Forfeited	(15,306)	20.22
Restricted stock units at December 31, 2012	822,753	19.04
Granted	949,418	25.99
Vested	(160,580)	20.17
Forfeited	(89,553)	20.13
Restricted stock units at December 31, 2013	1,522,038	23.19

The total fair value at grant date of restricted stock and RSUs vested during the year was $13.1 million in 2013, $15.5 million in 2012, and $17.6 million in 2011. At December 31, 2013, 400,124 shares of restricted stock and 1,146,807 RSUs were expected to vest with an aggregate intrinsic value of $12.0 million and $34.4 million, respectively.

Salary Stock Units

We granted 456,275 SSUs in 2012 and 297,620 in 2011 which vested immediately upon grant. Each SSU represents a right to one share of our common stock.

The 2012 and 2011 SSUs were classified as liabilities and were settled in cash. The amount of cash paid was determined by the number of SSUs being settled and the Company’s average closing common stock price for each trading day during the 30 trading-day period immediately prior to such payment date for the 2012 SSUs, and the Company’s closing common stock price on the date of settlement for the 2011 SSUs. Compensation expense was determined by the actual cash paid to settle the SSUs.

In January 2012, 172,550 of the 2011 SSUs were settled for $3.2 million. The balance of 125,070 2011 SSUs were settled in December 2012 for $2.7 million. In September 2012, 225,214 of the 2012 SSUs were settled for $4.5 million. The balance of 231,061 2012 SSUs were settled in March 2013 for $5.7 million.

18. COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES, AND RELATED PARTIES

Commitments and Guarantees

We use certain financial instruments, including derivative instruments, in the normal course of business to meet the financing needs of our customers, to reduce our own exposure to fluctuations in interest rates, and to make a market in U.S. Government, agency, corporate, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amounts recognized in the balance sheet. Derivative instruments are discussed in Notes 8 and 21.

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

(In thousands)	December 31, 2013	2012
Commitments to extend credit	$16,174,326	$14,277,347
Standby letters of credit:		
Financial	779,811	774,427
Performance	159,485	190,029
Commercial letters of credit	80,218	91,978
Total unfunded lending commitments	$17,193,840	$15,333,781

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our initial credit evaluation of the counterparty. Types of collateral vary, but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2013, $4.4 billion of commitments expire in 2014. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of $644 million expiring in 2014 and $295 million expiring thereafter through 2027. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary. At December 31, 2013, the Company had recorded approximately $8.8 million as a liability for these guarantees, which consisted of $5.5 million attributable to the reserve for unfunded lending commitments and $3.3 million of deferred commitment fees.

Certain mortgage loans sold have limited recourse provisions for periods ranging from three months to one year. The amount of losses resulting from the exercise of these provisions has not been significant.

At December 31, 2013, we had commitments for private equity and other noninterest-bearing investments of $28.3 million. These obligations have no stated maturity.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2013 and 2012, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were $5.6 billion and $5.0 billion, respectively.

December 31, 2013, we were required to maintain cash balances of $179.1 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board (“FRB”) regulations.

As of December 31, 2013, the Parent has guaranteed approximately $15 million of debt of affiliated trusts issuing trust preferred securities, as discussed in Note 13.

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Leases

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2014 to 2052. Premises leased under capital leases at December 31, 2013 were $1.7 million and accumulated amortization was $1.3 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2013 are as follows:

(in thousands)	
2014	$44,857
2015	44,815
2016	42,712
2017	37,071
2018	32,186
Thereafter	135,869
	$337,510

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: $1.1 million in 2014, $1.3 million in 2015, $1.4 million in 2016, $1.6 million in 2017, $1.6 million in 2018, and $6.3 million thereafter. Aggregate rental expense on operating leases amounted to $58.4 million in 2013, $58.7 million in 2012, and $57.9 million in 2011.

Legal Matters

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

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

In the third quarter of 2013, the District Court denied the plaintiff’s motion for class certification in the Reyes case. In the first quarter of 2014, the Third Circuit Court of Appeals approved the plaintiff’s motion to appeal the District Court decision.

Discovery has been completed in the Reyes case, but has not commenced in the Meridian Funds case with respect to aiding and abetting claims.

In the third quarter of 2013, we entered into definitive settlement agreements with respect to complaints relating to allegedly wrongful acts in our processing of overdraft fees on debit card transactions, Barlow, et. al. v. Zions First

National Bank and Zions Bancorporation. The settlement agreements, which cover all of our affiliates alleged to have engaged in wrongful processing, were approved by the court in the first quarter of 2014. The aggregate amount of the settlement is reflected in our accruals for legal losses as of December 31, 2013. Another overdraft case, Sadlier, et. al. v. National Bank of Arizona, brought in the Superior Court for the State of Arizona, County of Maricopa, was dismissed with prejudice in the second quarter of 2013.

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

- possible money laundering activities of a customer of one of our subsidiary banks and the anti-money laundering practices of that bank (conducted by the United States Attorneys Office for the Southern District of New York); and
- the practices of our subsidiary, Zions Bank; our former subsidiary, NetDeposit, LLC; and possibly other of our affiliates relating primarily to payment processing for allegedly fraudulent telemarketers and other customer types (conducted by the Department of Justice).

These two matters appear to be ongoing.

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

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to meaningfully estimate such a range only for a limited number of matters. We currently estimate the aggregate range of reasonably possible losses for those matters to be from $0 million to roughly $50 million in excess of amounts accrued. This estimated range of reasonably possible losses is based on information available as of December 31, 2013. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which a meaningful estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

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

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and

productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

Related Party Transactions

We have no material related party transactions requiring disclosure. In the ordinary course of business, the Company and its subsidiary banks extend credit to related parties, including executive officers, directors, principal shareholders, and their associates and related interests. These related party loans are made in compliance with applicable banking regulations under substantially the same terms as comparable third-party lending arrangements.

19. REGULATORY MATTERS

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Required capital levels are also subject to judgmental review by regulators.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following schedule) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2013, we exceeded all capital adequacy requirements to which we are subject.

As of December 31, 2013, all capital ratios of the Company and each of its subsidiary banks exceeded the “well capitalized” levels under the regulatory framework for prompt corrective action. Dividends declared by our subsidiary banks in any calendar year may not, without the approval of the appropriate federal regulators, exceed specified criteria.

In response to the recent severe economic crisis, the determination of appropriate capital levels, particularly for the Company and other “systemically important” financial institutions (“SIFIs”) as determined pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), is being driven increasingly by the results of comprehensive “stress tests” performed by each financial institution and its various regulators. These stress tests are part of the Federal Reserve’s Comprehensive Capital Analysis and Review (“CCAR”) submission, which is required annually.

The stress tests seek to comprehensively measure all risks to which the institution is exposed, including credit, liquidity, market, operating and other risks, the losses that could result from those risk exposures under adverse scenarios, and the institution’s resulting capital levels. Regulators have indicated that these stress test results will also be an important factor in approving the amounts and timing of capital issuances, dividends and distributions, and stock and securities repurchases.

The actual capital amounts and ratios for the Company and its three largest subsidiary banks are as follows:

	Actual			To be well capitalized		
(Amounts in thousands)	Amount	Ratio		Amount	Ratio	
As of December 31, 2013:						
Total capital (to risk-weighted assets)						
The Company	$6,621,539	14.67	%	$4,514,553	10.00	%
Zions First National Bank	1,997,525	14.52		1,375,347	10.00	
California Bank & Trust	1,252,860	13.65		917,950	10.00	
Amegy Bank N.A.	1,714,314	14.86		1,153,382	10.00	
Tier 1 capital (to risk-weighted assets)						
The Company	5,763,463	12.77		2,708,732	6.00	
Zions First National Bank	1,831,720	13.32		825,208	6.00	
California Bank & Trust	1,137,848	12.40		550,770	6.00	
Amegy Bank N.A.	1,569,696	13.61		692,029	6.00	
Tier 1 capital (to average assets)						
The Company	5,763,463	10.48		na	na [1]	
Zions First National Bank	1,831,720	10.02		913,592	5.00	
California Bank & Trust	1,137,848	10.75		529,067	5.00	
Amegy Bank N.A.	1,569,696	12.09		649,387	5.00	
As of December 31, 2012:						
Total capital (to risk-weighted assets)						
The Company	$6,616,521	15.05	%	$4,396,983	10.00	%
Zions First National Bank	2,034,662	14.17		1,435,690	10.00	
California Bank & Trust	1,222,822	14.18		862,218	10.00	
Amegy Bank N.A.	1,598,708	15.17		1,054,110	10.00	
Tier 1 capital (to risk-weighted assets)						
The Company	5,883,669	13.38		2,638,190	6.00	
Zions First National Bank	1,861,218	12.96		861,414	6.00	
California Bank & Trust	1,114,315	12.92		517,331	6.00	
Amegy Bank N.A.	1,466,001	13.91		632,466	6.00	
Tier 1 capital (to average assets)						
The Company	5,883,669	10.96		na	na [1]	
Zions First National Bank	1,861,218	10.58		879,719	5.00	
California Bank & Trust	1,114,315	10.37		537,534	5.00	
Amegy Bank N.A.	1,466,001	12.03		609,319	5.00	

[1] There is no Tier 1 leverage ratio component in the definition of a well capitalized bank holding company.

Basel III Capital Framework

In July 2013, the Federal Reserve published final rules establishing a new capital framework for U.S. banking organizations. These new rules implement the Basel Committee's December 2010 framework, commonly referred to as Basel III, and will become effective for the Company on January 1, 2015, with the fully phased-in requirements becoming effective in 2018.

Among other things, the new rules revise capital adequacy guidelines and the regulatory framework for prompt corrective action, and they modify specified quantitative measures of our assets, liabilities, and capital. The impact of these new rules will require the Company to maintain capital in excess of current "well-capitalized" regulatory standards, and in excess of historical levels.

20. RETIREMENT PLANS

Defined Benefit Plans

Pension – This qualified noncontributory defined benefit plan has been frozen to new participation. No service-related benefits accrued for existing participants except for those with certain grandfathering provisions. Effective July 1, 2013, the plan was amended to remove the exception for grandfathered participants. The effect of this change was not significant to the plan. Benefits vest under the plan upon completion of five years of vesting service. Plan assets consist principally of corporate equity securities, mutual fund investments, real estate, and fixed income investments. Plan benefits are paid as a lump-sum cash value or an annuity at retirement age. Contributions to the plan are based on actuarial recommendation and pension regulations. Currently, it is expected that no minimum regulatory contributions will be required in 2014 or 2015.

Supplemental Retirement – These unfunded nonqualified plans are for certain current and former employees. Each year, Company contributions to these plans are made in amounts sufficient to meet benefit payments to plan participants.

Postretirement Medical/Life – This unfunded health care and life insurance plan provides postretirement medical benefits to certain full-time employees who meet minimum age and service requirements. The plan also provides specified life insurance benefits to certain employees. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organization options. Our contribution towards the retiree medical premium has been permanently frozen at an amount that does not increase in any future year. Retirees pay the difference between the full premium rates and our capped contribution.

Because our contribution rate is capped, there is no effect on the postretirement plan from assumed increases or decreases in health care cost trends. Each year, Company contributions to the plan are made in amounts sufficient to meet the portion of the premiums that are the Company’s responsibility.

The following presents the change in benefit obligation, change in fair value of plan assets, and funded status, of the plans and amounts recognized in the balance sheet as of the measurement date of December 31.

(In thousands)	Pension		Supplemental Retirement		Postretirement	
	2013	2012	2013	2012	2013	2012
Change in benefit obligation:						
Benefit obligation at beginning of year	$191,208	$184,141	$11,234	$11,357	$1,129	$1,149
Service cost	—	29	—	—	32	36
Interest cost	6,885	7,558	404	460	41	47
Actuarial (gain) loss	(16,341)	9,693	(426)	481	(53)	(27)
Settlements	96	—	—	—	—	—
Benefits paid	(12,756)	(10,213)	(936)	(1,064)	(87)	(76)
Benefit obligation at end of year	169,092	191,208	10,276	11,234	1,062	1,129
Change in fair value of plan assets:						
Fair value of plan assets at beginning of year	157,082	147,444	—	—	—	—
Actual return on plan assets	27,579	19,851	—	—	—	—
Employer contributions	—	—	936	1,064	87	76
Benefits paid	(12,756)	(10,213)	(936)	(1,064)	(87)	(76)
Fair value of plan assets at end of year	171,905	157,082	—	—	—	—
Funded status	$2,813	$(34,126)	$(10,276)	$(11,234)	$(1,062)	$(1,129)
Amounts recognized in balance sheet:						
Asset (liability) for pension/postretirement benefits	$2,813	$(34,126)	$(10,276)	$(11,234)	$(1,062)	$(1,129)
Accumulated other comprehensive income (loss)	(39,082)	(80,743)	(1,968)	(2,587)	354	526
Accumulated other comprehensive income (loss) consists of:						
Net gain (loss)	$(39,082)	$(80,743)	$(1,918)	$(2,412)	$354	$376
Prior service credit (cost)	—	—	(50)	(175)	—	150
	$(39,082)	$(80,743)	$(1,968)	$(2,587)	$354	$526

The liability for pension/postretirement benefits is included in other liabilities in the balance sheet. The accumulated benefit obligation is the same as the benefit obligation shown in the preceding schedule.

The amounts in accumulated other comprehensive income (loss) at December 31, 2013 expected to be recognized as an expense component of net periodic benefit cost in 2014 for the plans are estimated as follows:

(In thousands)	Pension	Supplemental Retirement	Postretirement
Net gain (loss)	$(3,187)	$(33)	$71
Prior service credit (cost)	—	(50)	—
	$(3,187)	$(83)	$71

The following presents the components of net periodic benefit cost (credit) for the plans:

	Pension			Supplemental Retirement			Postretirement		
(In thousands)	2013	2012	2011	2013	2012	2011	2013	2012	2011
Service cost	$—	$29	$100	$—	$—	$—	$32	$36	$32
Interest cost	6,885	7,558	8,336	404	460	558	41	47	54
Expected return on plan assets	(12,109)	(11,308)	(12,443)						
Amortization of net actuarial (gain) loss	8,132	9,184	5,290	70	(114)	(16)	(75)	(87)	(125)
Amortization of prior service (credit) cost				124	124	124	(151)	(244)	(244)
Settlement loss	1,814			—	—	—			
Net periodic benefit cost (credit)	$4,722	$5,463	$1,283	$598	$470	$666	$(153)	$(248)	$(283)

Weighted average assumptions based on the pension plan are the same where applicable for each of the plans and are as follows:

	2013	2012	2011
Used to determine benefit obligation at year-end:			
Discount rate	4.60 %	3.75 %	4.25 %
Rate of compensation increase [1]	na	3.50	3.50
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	3.75	4.25	5.20
Expected long-term return on plan assets	8.00	8.00	8.00
Rate of compensation increase	3.50	3.50	3.50

[1] As previously discussed, the pension plan became fully frozen effective July 1, 2013 by a plan amendment that eliminated the remaining grandfather provisions. This action eliminated the need to continue using the rate of compensation increase assumption as of December 31, 2013.

The discount rate reflects the yields available on long-term, high-quality fixed income debt instruments with cash flows similar to the obligations of the pension plan, and is reset annually on the measurement date. The expected long-term rate of return on plan assets is based on a review of the target asset allocation of the plan. This rate is intended to approximate the long-term rate of return that we anticipate receiving on the plan’s investments, considering the mix of the assets that the plan holds as investments, the expected return on these underlying investments, the diversification of these investments, and the rebalancing strategies employed. An expected long-term rate of return is assumed for each asset class and an underlying inflation rate assumption is determined. The projected rate of compensation increases is management’s estimate of future pay increases that the remaining eligible employees will receive until their retirement.

Benefit payments to the plans’ participants, which reflect expected future service as appropriate, are estimated as follows for the years succeeding December 31, 2013:

(In thousands)	Pension	Supplemental Retirement	Postretirement
2014	$10,338	$2,056	$96
2015	9,822	833	100
2016	9,547	1,073	105
2017	10,133	799	109
2018	10,543	794	106
Years 2019 - 2023	53,674	3,642	451

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We are also obligated under other supplemental retirement plans for certain current and former employees. Our liability for these plans was $6.0 million and $6.3 million at December 31, 2013 and 2012, respectively.

For the pension plan, the investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under the Employee Retirement Income Security Act of 1974. The asset allocation strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. Target investment allocation percentages as of December 31, 2013 are 65% in equity, 30% in fixed income and cash, and 5% in real estate assets.

The following presents the fair values of pension plan investments according to the fair value hierarchy described in Note 21, and the weighted average allocations:

(Amounts in thousands)	December 31, 2013					December 31, 2012				
	Level 1	Level 2	Level 3	Total	%	Level 1	Level 2	Level 3	Total	%
Company common stock	$8,098			$8,098	5	$6,890			$6,890	4
Mutual funds:										
Equity	—			—	—	4,407			4,407	3
Debt	6,559			6,559	4	6,848			6,848	4
Insurance company pooled separate accounts:										
Equity investments		$102,603		102,603	60		$85,938		85,938	55
Debt investments		29,091		29,091	17		27,566		27,566	18
Real estate		7,680		7,680	4		6,875		6,875	4
Guaranteed deposit account			$12,582	12,582	7			$13,869	13,869	9
Limited partnerships			5,292	5,292	3			4,689	4,689	3
	$14,657	$139,374	$17,874	$171,905	100	$18,145	$120,379	$18,558	$157,082	100

No transfers of assets occurred among Levels 1, 2 or 3 during 2013 or 2012.

The following describes the pension plan investments and the valuation methodologies used to measure their fair value:

Company common stock – Shares of the Company's common stock are valued at the last reported sales price on the last business day of the plan year in the active market where individual securities are traded.

Mutual funds – These funds are valued at quoted market prices which represent the net asset values of shares held by the plan at year-end.

Insurance company pooled separate accounts – These funds are invested in by more than one investor. They are offered through separate accounts of the trustee's insurance company and managed by internal and professional advisors. Participation units in these accounts are valued at the net asset value as the practical expedient for fair value as determined by the insurance company. Generally, there are no redemption restrictions for these funds. The redemption frequency is daily with a required notice period of one day for amounts less than $1 million and three days for amounts equal to or greater than $1 million.

Guaranteed deposit account – This account is a group annuity product issued by the trustee's insurance company with guaranteed crediting rates established at the beginning of each calendar year. The account balance is stated at fair value as estimated by the trustee. The account is credited with deposits made, plus earnings at guaranteed crediting rates, less withdrawals and administrative expenses. The underlying investments generally include investment grade public and privately traded debt securities, mortgage loans

and, to a lesser extent, real estate and other equity investments. Market value adjustments are applied at the time of redemption if certain withdrawal limits are exceeded.

Additional fair value quantitative information for the guaranteed deposit account, as measured under Level 3, is a follows:

Principal valuation techniques	Significant unobservable inputs	Range (weighted average) of significant input values	
For the underlying investments – reported fair values when available for market traded investments; when not applicable, discounted cash flows under an income approach using U.S. Treasury rates and spreads based on cash flow timing and quality of assets.	Earnings at guaranteed crediting rate	Gross guaranteed crediting rate must be greater than or equal to contractual minimum crediting rate	
	Composite market value factor	December 31,	
		2013	0.988035 - 1.073235 (actual = 1.05329)
		2012	1.029720 - 1.119776 (actual = 1.08063)

The Company's Benefits Committee evaluates the methodology and factors used, including review of the contract, economic conditions, industry and market developments, and overall credit ratings of the underlying investments.

Limited partnerships – These partnerships invest in limited partnerships, limited liability companies, or similar investment vehicles that consist of private equity investments in a wide variety of investment types, including venture and growth capital, real estate, energy and natural resources, and other private investments. The plan's investments are estimated at fair value and determined from the partnerships' capital account balances for the plan's proportional interests. The capital accounts are credited with realized and unrealized earnings from the underlying investments and charged for operating expenses and distributions. Investments in these partnerships are illiquid and voluntary withdrawal is prohibited.

Fair value for these partnerships is also measured under Level 3. However, the plan does not have additional fair value quantitative information similar to the guaranteed deposit account. A variety of methodologies under Level 3 are used to estimate the fair value of underlying investments. These include best estimates of fair value by the general partner, results of any meaningful third party market transactions, consideration of financial condition and operating results of the issuer, estimates of amounts expected to be realized upon sale, and any other factors considered relevant by the general partner. The information that is provided by the limited partnerships is included in the annual review process of the Company's Benefits Committee, which has concluded that the fair values were developed in accordance with GAAP.

Shares of Company common stock were 270,305 and 321,964 at December 31, 2013 and 2012, respectively. Dividends received by the plan were approximately $41 thousand in 2013 and $15 thousand in 2012.

The following reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs:

(In thousands)	Level 3 Instruments [1] Year Ended December 31, 2013 Guaranteed deposit account	2013 Limited partnerships	2012 Guaranteed deposit account	2012 Limited partnerships
Balance at beginning of year	$13,869	$4,689	$12,476	$4,149
Net increases (decreases) included in plan statement of change in net assets available for benefits:				
Net operating fees and expenses	(346)	(83)	(362)	(59)
Net appreciation (depreciation) in fair value of investments:				
Realized	—	(74)	—	(98)
Unrealized	(398)	732	372	542
Interest and dividends	486	—	525	—
Purchases	11,722	760	11,070	1,005
Sales	(12,751)	—	(10,212)	—
Settlements	—	(732)	—	(850)
Balance at end of year	$12,582	$5,292	$13,869	$4,689

[1]Certain 2012 amounts have been reclassified, including disclosure on a gross basis, to conform with the presentation in 2013.

Defined Contribution Plan

The Company offers a 401(k) and employee stock ownership plan under which employees select from several investment alternatives. Employees can contribute up to 80% of their earnings subject to the annual maximum allowed contribution. The Company matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Matching contributions to participants, which were shares of the Company's common stock purchased in the open market, amounted to $22.7 million in 2013, $21.6 million in 2012, and $21.0 million in 2011.

The 401(k) plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 6% of eligible compensation based upon the Company's return on average common equity for the year. For all years presented, the profit sharing expense was computed at a contribution rate of 2%, and amounted to $11.8 million for both 2013 and 2012, and $11.7 million for 2011. The profit sharing contribution to participants consisted of shares of the Company's common stock purchased in the open market.

21. FAIR VALUE

Fair Value Measurement

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

Level 1 – Quoted prices in active markets for identical assets or liabilities in active markets that the Company has the ability to access;

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in less active markets, observable inputs other than quoted prices that are used in the valuation of an asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

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Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined by pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety. Market activity is presumed to be orderly in the absence of evidence of forced or disorderly sales, although such sales may still be indicative of fair value. Applicable accounting guidance precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. Fair value is used on a nonrecurring basis to measure certain assets when adjusting carrying values, such as the application of lower of cost or fair value accounting, including recognition of impairment on assets. Fair value on a nonrecurring basis is also used when providing required disclosures for certain financial instruments.

Fair Value Policies and Procedures
We have various policies, processes and controls in place to ensure that fair values are reasonably developed, reviewed and approved for use. These include a Securities Valuation and Securitization Oversight Committee ("SOC") comprised of executive management that reports directly to the Board of Directors. The SOC reviews and approves on a quarterly basis the key components of fair value estimation, including critical valuation assumptions for Level 3 modeling. Attribution analyses are completed when significant changes occur between quarters. The SOC also requires quarterly back testing of certain significant assumptions. A Model Risk Management Group conducts model validations, including the internal model, and sets policies and procedures for revalidation, including the timing of revalidation.

Third Party Service Providers
We use a third party pricing service to provide pricing for approximately 90% of our AFS Level 2 securities, and an internal model that uses certain third party models to estimate fair value for approximately 93% of our AFS Level 3 securities. Fair values for the remaining AFS Level 2 and Level 3 securities generally use standard form discounted cash flow modeling with certain inputs corroborated by market data.

For Level 2 securities, the third party pricing service provides documentation on an ongoing basis that presents market corroborative data, including detail pricing information and market reference data. We review, test and validate this information as appropriate.

For Level 3 securities, we review and evaluate on a quarterly basis the relevant third party modeling assumptions and compare them to those used in our own internal models. We also compare modeling results and valuations with our own information about market trends and trading data.

Absent observable trade data, we do not adjust prices from our third party sources. The procedures described help ensure that resulting fair value estimates were determined in accordance with applicable accounting guidance.

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available-for-Sale and Trading Securities
U.S. Treasury, Agencies and Corporations
U.S. Treasury securities are measured under Level 1 using quoted market prices. U.S. agencies and corporations are measured under Level 2 generally using the previously-discussed third party pricing service.

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Municipal Securities
Municipal securities are measured under Level 2 using the third party pricing service, or under Level 3 using a discounted cash flow approach. Valuation inputs include BBB and Baa municipal curves, as well as FHLB and LIBOR/Swap curves. Additional valuation inputs include internal credit scoring, and security- and client-type groupings.

Asset-Backed Securities: Trust Preferred Collateralized Debt Obligations
The CDO portfolio is measured under Level 3 primarily with the internal model using an income-based cash flow modeling approach incorporating several methodologies. The Company inputs its own key valuation assumptions:

Trust preferred – banks and insurance – We use an internal model for our bank and insurance CDO securities. Our “ratio-based approach” utilizes a statistical regression of regulatory ratios we have identified as predictive of future bank failures and bank holding company defaults to create a credit-specific PD for each bank issuer. The approach generally references trailing quarter regulatory data, financial ratios and macroeconomic factors.

For approximately one third of bank collateral issuers at December 31, 2013, which are public companies, we use the higher of the PDs from a third party proprietary reduced form model dependent, upon equity valuation, and that produced by our ratio-based approach.

The PDs used depend on whether the collateral is performing or deferring. Deferring PDs increase, all else being equal, as the deferral ages and approaches the end of its allowable five-year deferral period. The internal model includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level loss rate for each CDO. These loss assumptions are applied to the CDO’s structure to generate cash flow projections for each tranche of the CDO.

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

The discount rate assumption used for valuation purposes for each CDO tranche is derived from trading yields on publicly traded trust preferred securities as well as observed trades in our CDO tranches and tranches within our CDO in accordance with applicable accounting guidance. The data set generally includes one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest and observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data is generally limited to a few transactions in each of several of our original AAA-rated tranches, several of our original A-rated tranches, and many trades of tranches within our same CDO.

The effective yields on the traded securities are then used to determine a relationship between the effective yield and the loss or downside variability of the returns of each CDO security. The loss/downside variability for this purpose is a measure of the downside variability of cash flows from the mean estimate of cash flow. This relationship is then considered along with other third party or market data to identify appropriate discount rates to be applied to the CDOs.

CDO tranches with greater uncertainty in their cash flows are discounted at rates higher than those market participants would use for tranches with more stable expected cash flows (e.g., as a result of more subordination and/or better credit quality in the underlying collateral).

During 2013, deferral and default assumptions increased consistent with certain observed deferrals continuing past the allowable five years without resolution, and our inclusion of deferral vintage outcome data for the recent cycle. We expect to recreate or recalibrate deferral resolution experience as the outcomes for more deferring issuers become known over time.

Trust preferred – REITS, Other (including ABS CDOs) – Most of these CDOs are measured under Level 3 by other third party pricing services using their proprietary models. Our review and evaluation of their estimates was previously discussed.

Auction Rate Securities
Auction rate securities are measured under Level 3 primarily using valuation inputs that include AAA corporate bond yield curves, municipal yield curves, credit ratings and leverage of each closed-end fund, market yields for commercial paper, and any observable trade commentaries.

Bank-Owned Life Insurance
Bank-owned life insurance is measured under Level 2 according to reported cash surrender values ("CSVs") of the insurance contracts. Nearly all CSVs are based on valuations and earnings of the underlying assets in the insurance companies' general accounts. The underlying investments include predominantly fixed income securities consisting of investment grade corporate bonds and various types of mortgage instruments. Average duration ranges from five to eight years. Management regularly reviews investment performance, including concentrations of investments and regulatory restrictions.

Private Equity Investments
Private equity investments are measured under Level 2 or Level 3. The Other Equity Investments Committee, consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available. The amount of unfunded commitments to these partnerships is disclosed in Note 18. Certain restrictions apply for the redemption of these investments. Approximately $58 million of private equity investments at December 31, 2013 are prohibited by the Volcker Rule.
Private equity investments under Level 2 include partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources.
Private equity investments under Level 3 are recorded at acquisition cost, which is initially considered the best indication of fair value. Subsequent adjustments to recorded fair values are based on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Derivatives
Derivatives are measured according to their classification as either exchange-traded or over-the-counter ("OTC"). Exchange-traded derivatives consist of forward currency exchange contracts measured under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are measured under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect nonperformance risk for both the Company and the respective counterparty. These adjustments are

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determined generally by applying a credit spread to the total expected exposure of the derivative. Amounts disclosed in the following schedules differ from the presentation in Note 8 because they are presented on a net basis. The estimation of fair value for the TRS is discussed in Note 8.

Securities Sold, Not Yet Purchased
Securities sold, not yet purchased are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

Quantitative Disclosure by Fair Value Hierarchy
Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

	December 31, 2013			
(In thousands)	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations		$2,059,105		$2,059,105
Municipal securities		55,602	$10,662	66,264
Asset-backed securities:				
Trust preferred – banks and insurance			1,238,820	1,238,820
Trust preferred – real estate investment trusts			22,996	22,996
Auction rate			6,599	6,599
Other (including ABS CDOs)		2,099	25,800	27,899
Mutual funds and other	$259,750	20,453		280,203
	259,750	2,137,259	1,304,877	3,701,886
Trading account		34,559		34,559
Other noninterest-bearing investments:				
Bank-owned life insurance		466,428		466,428
Private equity		4,822	82,410	87,232
Other assets:				
Derivatives:				
Interest rate related and other		1,100		1,100
Interest rate swaps for customers		55,447		55,447
Foreign currency exchange contracts	9,614			9,614
	9,614	56,547		66,161
	$269,364	$2,699,615	$1,387,287	$4,356,266
LIABILITIES				
Securities sold, not yet purchased	$73,606			$73,606
Other liabilities:				
Derivatives:				
Interest rate related and other		$1,004		1,004
Interest rate swaps for customers		54,688		54,688
Foreign currency exchange contracts	8,643			8,643
Total return swap			$4,062	4,062
	8,643	55,692	4,062	68,397
Other			241	241
	$82,249	$55,692	$4,303	$142,244

(In thousands)	December 31, 2012 Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$102,982	$1,692,637		$1,795,619
Municipal securities		59,445	$16,551	75,996
Asset-backed securities:				
Trust preferred – banks and insurance		121	949,271	949,392
Trust preferred – real estate investment trusts			16,403	16,403
Auction rate			6,515	6,515
Other (including ABS CDOs)		4,214	15,160	19,374
Mutual funds and other	219,214	8,797		228,011
	322,196	1,765,214	1,003,900	3,091,310
Trading account		28,290		28,290
Other noninterest-bearing investments:				
Bank-owned life insurance		455,719		455,719
Private equity		5,132	64,223	69,355
Other assets:				
Derivatives:				
Interest rate related and other		2,850		2,850
Interest rate swaps for customers		79,579		79,579
Foreign currency exchange contracts	4,404			4,404
	4,404	82,429		86,833
	$326,600	$2,336,784	$1,068,123	$3,731,507
LIABILITIES				
Securities sold, not yet purchased	$26,735			$26,735
Other liabilities:				
Derivatives:				
Interest rate related and other		$1,142		1,142
Interest rate swaps for customers		82,926		82,926
Foreign currency exchange contracts	3,159			3,159
Total return swap			$5,127	5,127
	3,159	84,068	5,127	92,354
Other			124	124
	$29,894	$84,068	$5,251	$119,213

No transfers of assets or liabilities occurred among Levels 1, 2 or 3 during 2013 or 2012.

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

Reconciliation of Level 3 Fair Value Measurements

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

	Level 3 Instruments Year Ended December 31, 2013							
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2012	$16,551	$949,271	$16,403	$6,515	$ 15,160	$ 64,223	$ (5,127)	$ (124)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	41	3,166	254	3	82			
Dividends and other investment income						6,662		
Fair value and nonhedge derivative loss							(21,753)	
Equity securities gains, net						3,732		
Fixed income securities gains (losses), net	239	(3,160)	(201)		55			
Net impairment losses on investment securities		(136,221)	(17,430)		(11,080)			
Other noninterest expense								(117)
Other comprehensive income (loss)	1,540	377,357	24,081	81	6,950			
Purchases						10,548		
Sales		(66,303)	(111)		(1)	(2,244)		
Redemptions and paydowns	(7,709)	(60,989)			(5,780)	(511)	22,818	
Reclassifications		175,699			20,414			
Balance at December 31, 2013	$10,662	$1,238,820	$22,996	$6,599	$ 25,800	$ 82,410	$ (4,062)	$ (241)

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(In thousands)	Level 3 Instruments Year Ended December 31, 2012							
	Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at December 31, 2011	$17,381	$929,356	$18,645	$70,020	$ 43,546	$ 62,327	$ (5,422)	$ (86)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	102	7,126	224	4	232			
Dividends and other investment income						10,399		
Fair value and nonhedge derivative loss							(21,707)	
Equity securities gains, net						11,478		
Fixed income securities gains (losses), net	9	20,906		4,161	(5,762)			
Net impairment losses on investment securities		(96,707)						
Other noninterest expense								(38)
Other comprehensive income (loss)	(291)	218,001	(2,466)	1,330	8,343			
Purchases						9,043		
Sales						(15,872)		
Redemptions and paydowns	(650)	(129,411)		(69,000)	(31,199)	(13,152)	22,002	
Balance at December 31, 2012	$16,551	$949,271	$16,403	$6,515	$ 15,160	$ 64,223	$ (5,127)	$ (124)

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

(In thousands)	Year Ended December 31, 2013	2012
Dividends and other investment income	$(133)	$1,635
Equity securities gains (losses), net	(2,452)	10,359
Fixed income securities gains (losses), net	(3,067)	19,314

Following is a summary of quantitative information relating to the principal valuation techniques and significant unobservable inputs for Level 3 instruments measured on a recurring basis:

	Level 3 Instruments Quantitative information at December 31, 2013			
(Dollar amounts in thousands)	Fair value	Principal valuation techniques	Significant unobservable inputs	Range of inputs (% annually)
Asset-backed securities:				
Trust preferred – predominantly banks	$921,819	Discounted cash flow Market comparables	Constant prepayment rate	until 2016 – 5.50% to 20.73% 2016 to maturity – 3.0%
			Constant default rate	yr 1 – 0.30% to 1.94% yrs 2-5 – 0.49% to 1.14% yrs 6 to maturity – 0.58% to 0.65%
			Loss given default	100%
			Loss given deferral	14.39% to 100%
			Discount rate (spread over forward LIBOR)	5.6% to 7.7%
Trust preferred – predominantly insurance	346,390	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 5.0%
			Constant default rate	yr 1 – 0.38% to 1.03% yrs 2-5 – 0.53% to 0.89% yrs 6 to maturity – 0.50% to 0.55%
			Loss given default	100%
			Loss given deferral	2.18% to 30.13%
			Discount rate (spread over forward LIBOR)	3.72% to 6.49%
Trust preferred – individual banks	22,324	Market comparables	Yield	6.6% to 7.8%
			Price	81.25% to 109.6%
Trust preferred – real estate investment trust	22,996	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 0.0%
			Constant default rate	yr 1 – 4.1% to 10.6% yrs 2-3 – 4.6% to 5.5% yrs 4-6 – 1.0% yrs 7 to maturity – 0.50%
			Loss given default	60% to 100%

			Discount rate (spread over forward LIBOR)	5.5% to 15%
Other (predominantly ABS CDOs)	25,800	Discounted cash flow	Constant default rate	0.01% to 100%
			Loss given default	70% to 92%
			Discount rate (spread over forward LIBOR)	9% to 22%

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(Dollar amounts in thousands)	Level 3 Instruments Quantitative information at December 31, 2012 Fair value	Principal valuation techniques	Significant unobservable inputs	Range of inputs (% annually)
Asset-backed securities:				
Trust preferred – predominantly banks	$798,458	Discounted cash flow Market comparables	Constant prepayment rate	until 2016 – 10.0% to 21.24% 2016 to maturity – 3.0%
			Constant default rate	yr 1 – 0.30% to 1.97% yrs 2-5 – 0.47% to 0.67% yrs 6 to maturity – 0.58% to 0.68%
			Loss given default	100%
			Loss given deferral	9.69% to 100%
			Discount rate (spread over forward LIBOR)	7.7% to 13.4%
Trust preferred – predominantly insurance	256,104	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 4.5%
			Constant default rate	yr 1 – 0.30% to 0.32% yrs 2-5 – 0.47% to 0.50% yrs 6 to maturity – 0.50% to 0.54%
			Loss given default	100%
			Loss given deferral	2.18%
			Discount rate (spread over forward LIBOR)	3.75% to 16.21%
Trust preferred – individual banks	20,910	Market comparables	Yield	9.4% to 9.7%
			Price	73.1% to 108.0%
Trust preferred – real estate investment trust	16,403	Discounted cash flow Market comparables	Constant prepayment rate	until maturity – 0.0%
			Constant default rate	yr 1 – 5.1% to 8.6% yrs 2-3 – 4.2% to 7.1% yrs 4-6 – 1.0% yrs 7 to maturity – 0.50%
			Loss given default	60% to 100%
			Discount rate (spread over forward LIBOR)	6.5% to 23%

Other (predominantly ABS CDOs)	15,160	Discounted cash flow	Constant default rate	0.01% to 100%
			Loss given default	70% to 92%
			Discount rate (spread over forward LIBOR)	9% to 22%

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

(In thousands)	Fair value at December 31, 2013				Gains (losses) from fair value changes
	Level 1	Level 2	Level 3	Total	Year Ended December 31, 2013
ASSETS					
HTM securities adjusted for OTTI	$—	$—	$8,483	$8,483	$(403)
Private equity investments, carried at cost	—	—	13,270	13,270	(5,700)
Impaired loans	—	11,765	—	11,765	(1,575)
Other real estate owned	—	24,684	—	24,684	(13,158)
	$—	$36,449	$21,753	$58,202	$(20,836)

(In thousands)	Fair value at December 31, 2012				Gains (losses) from fair value changes
	Level 1	Level 2	Level 3	Total	Year Ended December 31, 2012
ASSETS					
HTM securities adjusted for OTTI	$—	$—	$23,524	$23,524	$(7,423)
Private equity investments, carried at cost	—	—	13,520	13,520	(2,176)
Impaired loans	—	44,448	—	44,448	(4,300)
Other real estate owned	—	58,954	—	58,954	(20,641)
	$—	$103,402	$37,044	$140,446	$(34,540)

We recognized net gains of $15.6 million in 2013 and $15.3 million in 2012 from the sale of OREO properties that had a carrying value at the time of sale of approximately $82.5 million in 2013 and $163.3 million in 2012. Previous to their sale in these years, we recognized impairment on these properties of $0.8 million in 2013 and $2.7 million in 2012.

HTM securities adjusted for OTTI were measured at fair value using the same methodology for trust preferred CDO securities.

Private equity investments carried at cost were measured at fair value for impairment purposes according to the methodology previously discussed. Amounts of private equity investments carried at cost were $53.6 million and $74.8 million at December 31, 2013 and 2012, respectively. Amounts of other noninterest-bearing investments carried at cost were $248.4 million and $255.6 million at December 31, 2013 and 2012, respectively, which were comprised of Federal Reserve, Federal Home Loan Bank, and Farmer Mac stock.

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

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

Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market,

economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been significant to consider disclosure under Level 3 rather than Level 2.

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

Fair Value of Certain Financial Instruments

Following is a summary of the carrying values and estimated fair values of certain financial instruments:

	December 31, 2013			December 31, 2012		
(Amounts in thousands)	Carrying value	Estimated fair value	Level	Carrying value	Estimated fair value	Level
Financial assets:						
HTM investment securities	$588,981	$609,547	3	$756,909	$674,741	3
Loans and leases (including loans held for sale), net of allowance	38,468,402	38,088,242	3	37,020,811	37,024,198	3
Financial liabilities:						
Time deposits	2,593,038	2,602,955	2	2,962,931	2,988,714	2
Foreign deposits	1,980,161	1,979,805	2	1,804,060	1,803,625	2
Other short-term borrowings	—	—	2	5,409	5,421	2
Long-term debt (less fair value hedges)	2,269,762	2,423,643	2	2,329,323	2,636,422	2

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

HTM investment securities primarily consist of municipal securities and bank and insurance trust preferred CDOs. They were measured at fair value according to the methodologies previously discussed for these investment types.

Loans are measured at fair value according to their status as nonimpaired or impaired. For nonimpaired loans, fair value is estimated by discounting future cash flows using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated "life-of-the-loan" aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are derived from the methods used to estimate the ALLL for our loan portfolio and are adjusted quarterly as necessary to reflect the most recent loss experience. Impaired loans are already considered to be held at fair value, except those whose fair value is determined by discounting cash flows, as discussed previously. See Impaired Loans in Note 7 for details on the impairment measurement method for impaired loans. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

Time and foreign deposits, and other short-term borrowings, are measured at fair value by discounting future cash flows using the LIBOR yield curve to the given maturity dates.

Long-term debt is measured at fair value based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads.

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

22. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of December 31, 2013, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. The operating segment identified as “Other” includes the Parent, Zions Management Services Company (“ZMSC”), certain nonbank financial service subsidiaries, TCBO, and eliminations of transactions between segments.

The Parent’s financial statements in Note 24 provide more information about the Parent’s activities. The condensed statement of income identifies the components of income and expense which affect the operating amounts presented in the Other segment.

ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis. As a result, the impact of ZMSC’s operations on a net basis has not been significant to the operating amounts in the Other segment.

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

The following is a summary of selected operating segment information:

(In millions)	Zions Bank			CB&T			Amegy		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
CONDENSED INCOME STATEMENT									
Net interest income	$595.0	$657.1	$683.3	$469.0	$466.7	$506.9	$381.5	$371.5	$391.2
Provision for loan losses	(40.5)	88.3	128.3	(16.7)	(7.9)	(9.5)	4.2	(63.9)	(37.4)
Net interest income after provision for loan losses	635.5	568.8	555.0	485.7	474.6	516.4	377.3	435.4	428.6
Net impairment losses on investment securities	(7.7)	(3.2)	(0.3)	—	—	(0.5)	—	—	—
Loss on sale of investment securities to Parent	—	—	—	—	(9.2)	(43.9)	—	—	—
Other noninterest income	199.9	221.4	219.2	79.3	75.3	105.4	146.4	156.1	138.4
Noninterest expense	481.4	493.1	547.4	352.4	330.2	355.0	333.4	340.2	324.9
Income (loss) before income taxes	346.3	293.9	226.5	212.6	210.5	222.4	190.3	251.3	242.1
Income tax expense (benefit)	121.7	104.6	76.0	72.5	83.4	88.0	59.8	84.6	80.5
Net income (loss)	$224.6	$189.3	$150.5	$140.1	$127.1	$134.4	$130.5	$166.7	$161.6

YEAR-END BALANCE SHEET DATA									
Total assets	$18,590	$17,930	$17,531	$10,923	$11,069	$10,894	$13,705	$13,119	$12,282
Cash and due from banks	363	650	416	157	205	175	437	754	406
Money market investments	3,888	2,855	2,198	1,108	1,449	1,090	2,551	2,308	2,222
Total securities	1,520	1,273	1,460	331	350	335	362	439	475
Total loans	12,259	12,490	12,751	8,574	8,259	8,392	9,217	8,450	8,031
Total deposits	16,257	15,575	14,905	9,327	9,483	9,192	11,198	10,706	9,731
Shareholder’s equity:									
Preferred equity	280	280	480	162	162	262	226	251	488
Common equity	1,523	1,519	1,379	1,342	1,322	1,270	1,845	1,725	1,630
Noncontrolling interests	—	—	—	—	—	—	—	—	—
Total shareholder’s equity	1,803	1,799	1,859	1,504	1,484	1,532	2,071	1,976	2,118

(In millions)				NSB			Vectra		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
CONDENSED INCOME STATEMENT									
Net interest income	$163.0	$167.7	$172.1	$113.6	$123.4	$135.0	$102.7	$108.7	$104.3
Provision for loan losses	(15.0)	(0.6)	9.6	(12.0)	(9.6)	(38.3)	(4.9)	7.0	14.0
Net interest income after provision for loan losses	178.0	168.3	162.5	125.6	133.0	173.3	107.6	101.7	90.3
Net impairment losses on investment securities	—	—	—	(3.3)	—	—	(0.1)	(0.6)	(0.8)
Loss on sale of investment securities to Parent	—	—	—	—	—	—	—	—	(28.9)
Other noninterest income	35.0	32.1	34.4	37.8	33.7	37.4	24.6	25.3	21.7
Noninterest expense	142.7	152.5	154.7	131.8	133.6	139.3	99.5	98.3	100.7
Income (loss) before income taxes	70.3	47.9	42.2	28.3	33.1	71.4	32.6	28.1	(18.4)
Income tax expense (benefit)	26.4	17.0	16.7	9.5	11.3	24.8	11.2	9.2	(8.3)
Net income (loss)	$43.9	$30.9	$25.5	$18.8	$21.8	$46.6	$21.4	$18.9	$(10.1)
YEAR-END BALANCE SHEET DATA									
Total assets	$4,579	$4,575	$4,485	$3,980	$4,061	$4,100	$2,571	$2,511	$2,341
Cash and due from banks	77	86	71	79	59	73	51	58	55
Money market investments	220	385	604	710	1,031	905	6	31	52
Total securities	362	263	271	774	742	748	166	187	227
Total loans	3,724	3,604	3,304	2,297	2,100	2,235	2,278	2,128	1,914
Total deposits	3,931	3,874	3,731	3,590	3,604	3,546	2,178	2,164	2,004
Shareholder’s equity:									
Preferred equity	120	180	305	50	140	260	70	70	70
Common equity	418	399	350	317	298	273	246	224	200
Noncontrolling interests	—	—	—	—	—	—	—	—	—
Total shareholder’s equity	538	579	655	367	438	533	316	294	270

(In millions)	TCBW			Other			Consolidated Company		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
CONDENSED INCOME STATEMENT									
Net interest income	$27.3	$27.4	$29.6	$(155.8)	$(190.6)	$(266.2)	$1,696.3	$1,731.9	$1,756.2
Provision for loan losses	(1.8)	0.4	7.8	(0.4)	0.5	—	(87.1)	14.2	74.5
Net interest income after provision for loan losses	29.1	27.0	21.8	(155.4)	(191.1)	(266.2)	1,783.4	1,717.7	1,681.7
Net impairment losses on investment securities	—	—	—	(154.0)	(100.3)	(32.1)	(165.1)	(104.1)	(33.7)
Loss on sale of investment securities to Parent	(2.7)	—	(4.8)	2.7	9.2	77.6	—	—	—
Other noninterest income	4.1	3.8	3.5	(24.6)	(23.7)	(28.1)	502.5	524.0	531.9
Noninterest expense	18.8	18.9	16.7	154.4	29.2	19.9	1,714.4	1,596.0	1,658.6
Income (loss) before income taxes	11.7	11.9	3.8	(485.7)	(335.1)	(268.7)	406.4	541.6	521.3
Income tax expense (benefit)	4.0	4.0	1.1	(162.2)	(120.7)	(80.2)	142.9	193.4	198.6
Net income (loss)	$7.7	$7.9	$2.7	$(323.5)	$(214.4)	$(188.5)	$263.5	$348.2	$322.7

YEAR-END BALANCE SHEET DATA									
Total assets	$943	$961	$874	$740	$1,286	$642	$56,031	$55,512	$53,149
Cash and due from banks	28	22	28	(17)	8	—	1,175	1,842	1,224
Money market investments	181	251	143	(207)	444	(91)	8,457	8,754	7,123
Total securities	91	104	126	719	519	437	4,325	3,877	4,079
Total loans	630	571	562	64	63	69	39,043	37,665	37,258
Total deposits	793	791	693	(912)	(64)	(926)	46,362	46,133	42,876
Shareholder's equity:									
Preferred equity	3	3	15	93	42	497	1,004	1,128	2,377
Common equity	87	82	75	(317)	(645)	(569)	5,461	4,924	4,608
Noncontrolling interests	—	—	—	—	(3)	(2)	—	(3)	(2)
Total shareholder's equity	90	85	90	(224)	(606)	(74)	6,465	6,049	6,983

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23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2013 and 2012 is as follows:

(In thousands, except per share amounts)	Quarters First	Second	Third	Fourth	Year
2013:					
Gross interest income	$484,748	$493,233	$473,407	$490,017	$1,941,405
Net interest income	418,115	430,657	415,521	432,035	1,696,328
Provision for loan losses	(29,035)	(21,990)	(5,573)	(30,538)	(87,136)
Noninterest income:					
Net impairment losses on investment securities	(10,117)	(4,217)	(9,067)	(141,733)	(165,134)
Investment securities gains (losses), net	6,131	1,056	4,745	(6,310)	5,622
Other noninterest income	125,205	128,309	126,512	116,893	496,919
Noninterest expense	397,348	451,678	370,663	494,750	1,714,439
Income before income taxes (benefit)	171,021	126,117	172,621	(63,327)	406,432
Net income (loss)	110,387	83,026	111,514	(41,472)	263,455
Net income (loss) applicable to controlling interest	110,723	83,026	111,514	(41,472)	263,791
Preferred stock dividends	(22,399)	(27,641)	(27,507)	(17,965)	(95,512)
Preferred stock redemption	—	—	—	125,700	125,700
Net earnings (loss) applicable to common shareholders	88,324	55,385	209,707	(59,437)	293,979
Net earnings (loss) per common share:					
Basic	$0.48	$0.30	$1.13	$(0.32)	$1.58
Diluted	0.48	0.30	1.12	(0.32)	1.58
2012:					
Gross interest income	$518,877	$512,588	$509,000	$498,257	$2,038,722
Net interest income	437,478	426,344	438,161	429,957	1,731,940
Provision for loan losses	15,664	10,853	(1,889)	(10,401)	14,227
Noninterest income:					
Net impairment losses on investment securities	(10,209)	(7,308)	(2,736)	(83,808)	(104,061)
Investment securities gains, net	9,865	5,626	5,729	9,577	30,797
Other noninterest income	112,164	130,347	122,233	128,390	493,134
Noninterest expense	392,372	401,656	394,975	407,014	1,596,017
Income before income taxes	141,262	142,500	170,301	87,503	541,566
Net income	89,403	91,464	109,597	57,686	348,150
Net income applicable to controlling interest	89,676	91,737	109,851	58,252	349,516
Preferred stock dividends	(64,187)	(36,522)	(47,529)	(22,647)	(170,885)
Net earnings applicable to common shareholders	25,489	55,215	62,322	35,605	178,631
Net earnings per common share:					
Basic	$0.14	$0.30	$0.34	$0.19	$0.97
Diluted	0.14	0.30	0.34	0.19	0.97

Certain amounts related primarily to gross and net interest income, and noninterest income, were changed from previously filed Form 10-Qs for the first, second and third quarters of 2012. The changes were due to reclassifications between interest and fees on loans, and other service charges, commissions and fees. See related discussion in Note 1.

As discussed in Note 6, we made a significant 2013 fourth quarter adjustment recognizing OTTI for certain impairment losses on CDO investment securities.

24. PARENT COMPANY FINANCIAL INFORMATION
CONDENSED BALANCE SHEETS

(In thousands)	December 31, 2013	2012
ASSETS		
Cash and due from banks	$902,697	$2,001
Interest-bearing deposits	72	75,808
Security resell agreements	—	575,000
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $31,422 and $22,112)	17,359	22,679
Available-for-sale, at fair value	675,895	461,665
Loans, net of allowance for loan losses of $0 and $23	—	1,277
Other noninterest-bearing investments	37,154	50,799
Investments in subsidiaries:		
Commercial banks and bank holding company	6,700,315	6,668,881
Other operating companies	31,535	36,516
Nonoperating – ZMFU II, Inc.[1]	44,511	43,012
Other assets	278,392	311,093
	$8,687,930	$8,248,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	$200,729	$106,159
Short-term borrowings:		
Due to others	—	4,951
Subordinated debt to affiliated trusts	15,464	309,278
Long-term debt:		
Due to affiliates	17	—
Due to others	2,007,157	1,776,274
Total liabilities	2,223,367	2,196,662
Shareholders' equity:		
Preferred stock	1,003,970	1,128,302
Common stock	4,179,024	4,166,109
Retained earnings	1,473,670	1,203,815
Accumulated other comprehensive loss	(192,101)	(446,157)
Total shareholders' equity	6,464,563	6,052,069
	$8,687,930	$8,248,731

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

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CONDENSED STATEMENTS OF INCOME

	Year Ended December 31,		
(In thousands)	2013	2012	2011
Interest income:			
Commercial bank subsidiaries	$757	$836	$2,519
Other subsidiaries and affiliates	105	386	63
Loans and securities	17,764	18,993	13,640
Total interest income	18,626	20,215	16,222
Interest expense:			
Affiliated trusts	8,483	24,053	24,027
Other borrowed funds	171,304	195,195	274,843
Total interest expense	179,787	219,248	298,870
Net interest loss	(161,161)	(199,033)	(282,648)
Provision for loan losses	(23)	(10)	(38)
Net interest loss after provision for loan losses	(161,138)	(199,023)	(282,610)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial banks and bank holding company	421,406	246,606	71,350
Other operating companies	200	5,440	14,151
Nonoperating – ZMFU II, Inc.	—	50,000	—
Equity and fixed income securities gains (losses), net	(7,332)	86	426
Net impairment losses on investment securities	(95,637)	(74,153)	(26,810)
Other income (loss)	(8,397)	(6,562)	4,203
	310,240	221,417	63,320
Expenses:			
Salaries and employee benefits	26,014	20,507	19,033
Debt extinguishment cost	120,192	—	—
Other operating expenses	1,436	395	4,176
	147,642	20,902	23,209
Income (loss) before income taxes and undistributed income/loss of consolidated subsidiaries	1,460	1,492	(242,499)
Income tax benefit	(133,798)	(108,541)	(104,395)
Income (loss) before equity in undistributed income/loss of consolidated subsidiaries	135,258	110,033	(138,104)
Equity in undistributed income (loss) of consolidated subsidiaries:			
Commercial banks and bank holding company	132,906	304,559	488,806
Other operating companies	(4,887)	(15,561)	(27,687)
Nonoperating – ZMFU II, Inc.	514	(49,515)	789
Net income	263,791	349,516	323,804
Preferred stock dividends	(95,512)	(170,885)	(170,414)
Preferred stock redemption	125,700	—	—
Net earnings loss applicable to common shareholders	$293,979	$178,631	$153,390

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CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(In thousands)	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$263,791	$349,516	$323,804
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Undistributed net income of consolidated subsidiaries	(128,533)	(239,483)	(461,908)
Net impairment losses on investment securities	95,637	74,153	26,810
Debt Extinguishment cost	120,192	—	—
Other, net	69,098	4,376	27,505
Net cash provided by (used in) operating activities	420,185	188,562	(83,789)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease (increase) in money market investments	650,736	305,668	(408,811)
Collection of advances to subsidiaries	10,000	23,190	6,425
Advances to subsidiaries	(10,000)	(23,000)	(6,250)
Proceeds from sales and maturities of investment securities	27,916	5,433	1,259,262
Purchases of investment securities	(4,858)	(3,980)	(575,887)
Decrease of investment in subsidiaries	175,000	764,290	113,834
Other, net	10,642	3,814	9,642
Net cash provided by investing activities	859,436	1,075,415	398,215
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in short-term funds borrowed	(3,368)	(110,995)	(165,500)
Proceeds from issuance of long-term debt	646,408	757,610	101,821
Repayments of long-term debt	(835,031)	(372,312)	(117,975)
Debt extinguishment cost paid	(45,812)	—	—
Proceeds from issuance of preferred stock	784,318	141,342	—
Proceeds from issuance of common stock	9,825	1,898	25,686
Cash paid for preferred stock redemptions	(799,468)	(1,542,500)	—
Dividends paid on preferred stock	(95,512)	(126,189)	(148,774)
Dividends paid on common stock	(24,148)	(7,392)	(7,361)
Other, net	(16,137)	(3,449)	(4,160)
Net cash used in financing activities	(378,925)	(1,261,987)	(316,263)
Net increase (decrease) in cash and due from banks	900,696	1,990	(1,837)
Cash and due from banks at beginning of year	2,001	11	1,848
Cash and due from banks at end of year	$902,697	$2,001	$11

The Parent paid interest of $125.9 million in 2013, $124.1 million in 2012, and $126.7 million in 2011.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A. 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 December 31, 2013. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2013. There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. See "Report on Management's Assessment of Internal Control over Financial Reporting" included in Item 8 on page 96 for management's report on the adequacy of internal control over financial reporting. Also see "Report on Internal Control over Financial Reporting" issued by Ernst & Young LLP included in Item 8 on page 97.

ITEM 9B. OTHER INFORMATION
None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 11. EXECUTIVE COMPENSATION
Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
EQUITY COMPENSATION PLAN INFORMATION
The following schedule provides information as of December 31, 2013 with respect to the shares of the Company's common stock that may be issued under existing equity compensation plans.

Plan category [1]	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by security holders			
Zions Bancorporation 2005 Stock Option and Incentive Plan	5,633,157	$34.64	5,696,668
Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan	32,000	56.94	—
Zions Bancorporation Key Employee Incentive Stock Option Plan	2,638	56.59	—

Total	5,667,795	5,696,668

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[1] The schedule does not include information for equity compensation plans assumed by the Company in mergers. A total of 206,795 shares of common stock with a weighted average exercise price of $56.49 were issuable upon exercise of options granted under plans assumed in mergers and outstanding as of December 31, 2013. The Company cannot grant additional awards under these assumed plans. Column (a) also excludes 410,950 shares of unvested restricted stock and 1,522,038 restricted stock units (each unit representing the right to one share of common stock).

Other information required by Item 12 is incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE
Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES
Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial statements – The following consolidated financial statements of Zions Bancorporation and subsidiaries are filed as part of this Form10-K under Item 8, Financial Statements and Supplementary Data:

Consolidated balance sheets – December 31, 2013 and 2012
Consolidated statements of income – Years ended December 31, 2013, 2012 and 2011
Consolidated statements of comprehensive income – Years ended December 31, 2013, 2012 and 2011
Consolidated statements of changes in shareholders' equity – Years ended December 31, 2013, 2012 and 2011
Consolidated statements of cash flows – Years ended December 31, 2013, 2012 and 2011
Notes to consolidated financial statements – December 31, 2013

(2) Financial statement schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

(3) List of 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 (filed herewith).	

Exhibit Number	Description	
3.3	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 24, 1998, incorporated by reference to Exhibit 3.3 of Form 10-Q for the quarter ended March 31, 2009.	*
3.4	Articles of Amendment to Restated Articles of Incorporation of Zions Bancorporation dated April 25, 2001, incorporated by reference to Exhibit 3.6 of Form S-4 filed July 13, 2001.	*
3.5	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated December 5, 2006, incorporated by reference to Exhibit 3.5 of Form 10-K for the year ended December 31, 2011.	*
3.6	Articles of Merger of The Stockmen's Bancorp, Inc. with and into Zions Bancorporation, effective January 17, 2007, incorporated by reference to Exhibit 3.6 of Form 10-Q for the quarter ended March 31, 2012.	*
3.7	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated July 7, 2008 (filed herewith).	
3.8	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated November 12, 2008 (filed herewith).	
3.9	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated June 30, 2009, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 2, 2009.	*
3.10	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 30, 2009, incorporated by reference to Exhibit 3.10 of Form 10-Q for the quarter ended June 30, 2009.	*
3.11	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 1, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 3, 2010.	*
3.12	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 14, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 15, 2010.	*
3.13	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series F Fixed-Rate Non-Cumulative Perpetual Preferred Stock, dated May 4, 2012, incorporated by reference to Exhibit 3.1 of Form 8-K filed May 5, 2012.	*
3.14	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series G Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock, dated February 5, 2013, incorporated by reference to Exhibit 3.1 of Form 8-K filed February 7, 2013.	*
3.15	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	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation with respect to the Series J Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock, dated August 8, 2013, incorporated by reference to Exhibit 3.1 of Form 8-K filed August 13, 2013.	*
3.18	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.	*

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Exhibit Number	Description	
4.1	Senior Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to senior debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.1 of Form 10-K for the year ended December 31, 2011.	*
4.2	Subordinated Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to subordinated debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.2 of Form 10-K for the year ended December 31, 2011.	*
4.3	Junior Subordinated Indenture dated August 21, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to junior subordinated debentures of Zions Bancorporation, incorporated by reference to Exhibit 4.3 of Form 10-K for the year ended December 31, 2011.	*
4.4	Warrant to purchase up to 5,789,909 shares of Common Stock, issued on November 14, 2008 (filed herewith).	
4.5	Warrant Agreement, between Zions Bancorporation and Zions First National Bank, and Warrant Certificate, incorporated by reference to Exhibit 4.1 of Form 10-Q for the quarter ended September 30, 2010.	*
10.1	Zions Bancorporation 2011-2013 Value Sharing Plan, incorporated by reference to Exhibit 10.2 of Form 10-K for the year ended December 31, 2011.	*
10.2	Zions Bancorporation 2012-2014 Value Sharing Plan, incorporated by reference to Exhibit 10.3 of Form 10-K for the year ended December 31, 2012.	*
10.3	Zions Bancorporation 2013-2015 Value Sharing Plan, incorporated by reference to Exhibit 10.4 of Form 10-K for the quarter ended September 30, 2013.	*
10.4	2012 Management Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2012.	*
10.5	Zions Bancorporation Third Restated and Revised Deferred Compensation Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2013.	*
10.6	Zions Bancorporation Fourth Restated Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended September 30, 2013.	*
10.7	Amended and Restated Amegy Bancorporation, Inc. Non-Employee Directors Deferred Fee Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended September 30, 2013.	*
10.8	Zions Bancorporation First Restated Excess Benefit Plan, incorporated by reference to Exhibit 10.9 of Form 10-K for the year ended December 31, 2008.	*
10.9		*

	Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB effective October 1, 2002, incorporated by reference to Exhibit 10.9 of Form 10-K for the year ended December 31, 2012.	
10.10	Amendment to the Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB substituting Prudential Bank & Trust, FSB as the trustee, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2010.	*

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Exhibit Number	Description	
10.11	Amendment to Trust Agreement Establishing the Zions Bancorporation Deferred Compensation Plans Trust, effective September 1, 2006, incorporated by reference to Exhibit 10.11 of Form 10-K for the year ended December 31, 2012.	*
10.12	Fifth Amendment to Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, incorporated by reference to Exhibit 10.5 of Form 10-Q for the quarter September 30, 2013.	*
10.13	Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 1, 2006, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2012.	*
10.14	Revised schedule C to Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 13, 2006, incorporated by reference to Exhibit 10.13 of Form 10-K for the year ended December 31, 2012.	*
10.15	Third Amendment to the Zions Bancorporation Deferred Compensation Plans Master Trust agreement between Zions Bancorporation and Fidelity Management Trust Company, dated June 13, 2012, incorporated by reference to Exhibit 10.6 of Form 10-Q for the quarter ended June 30, 2012.	*
10.16	Zions Bancorporation Restated Pension Plan effective January 1, 2002, including amendments adopted through December 31, 2010, incorporated by reference to Exhibit 10.16 of Form 10-K for the year ended December 31, 2010.	*
10.17	First amendment to the Zions Bancorporation Pension Plan, dated June 28, 2013, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2013.	*
10.18	Zions Bancorporation Executive Management Pension Plan, incorporated by reference to Exhibit 10.20 of Form 10-K for the year ended December 31, 2008.	*
10.19	Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, Restated and Amended effective January 1, 2002, including amendments adopted thru December 31, 2010, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2010.	*
10.20	First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, dated November 14, 2012, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2012.	*
10.21	Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated July 3, 2006, incorporated by reference to Exhibit 10.19 of Form 10-K for the year ended December 31, 2012.	*
10.22	First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2010.	*
10.23		*

Second Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2010.

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Exhibit Number	Description	
10.24	Third Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 30, 2010, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended June 30, 2010.	*
10.25	Amended and Restated Zions Bancorporation Key Employee Incentive Stock Option Plan, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2009.	*
10.26	Amended and Restated Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan (filed herewith).	
10.27	Amended and Restated Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2012.	*
10.28	Standard Stock Option Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended June 30, 2012.	*
10.29	Standard Restricted Stock Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.4 of Form 10-Q for the quarter ended June 30, 2012.	*
10.30	Standard Restricted Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.5 of Form 10-Q for the quarter ended June 30, 2012.	*
10.31	Standard Directors Stock Option Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.29 of Form 10-K for the year ended December 31, 2010.	*
10.32	Standard Directors Restricted Stock Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.4 of Form 10-Q for the quarter ended June 30, 2009.	*
10.33	Standard Directors Restricted Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.28 of Form 10-K for the year ended December 31, 2011.	*
10.34	Form of Performance Stock Option Award Agreement, 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.6 of Form 10-Q for the quarter ended September 30, 2013.	*
10.35	Form of Performance Restricted Stock Unit Award Agreement, 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.7 of Form 10-Q for the quarter ended September 30, 2013.	*
10.36	Amegy Bancorporation (formerly Southwest Bancorporation of Texas, Inc.) 1996 Stock Option Plan, as amended and restated as of June 4, 2002 (filed herewith).	
10.37	Amegy Bancorporation 2004 (formerly Southwest Bancorporation of Texas, Inc.) Omnibus Incentive Plan, incorporated by reference to Exhibit 10.47 of Form 10-K for the year ended December 31, 2009.	*

10.38	Form of Change in Control Agreement between the Company and Certain Executive Officers, incorporated by reference to Exhibit 10.37 of Form 10-K for the year ended December 31, 2012.	*

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Exhibit Number	Description	
10.39	Addendum to Change in Control Agreement, incorporated by reference to Exhibit 10.43 of Form 10-K for the year ended December 31, 2008.	*
10.40	Form of Change in Control Agreement between the Company and Dallas E. Haun, dated May 23, 2008, incorporated by reference to Exhibit 10.52 of Form 10-K for the year ended December 31, 2008.	*
12	Ratio of Earnings to Fixed Charges (filed herewith).	
21	List of Subsidiaries of Zions Bancorporation (filed herewith).	
23	Consent of Independent Registered Public Accounting Firm (filed herewith).	
31.1	Certification by Chief Executive Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).	
31.2	Certification by Chief Financial Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).	
32	Certification by Chief Executive Officer and Chief Financial Officer required by Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and 18 U.S.C. Section 1350 (furnished herewith).	
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012, (ii) the Consolidated Statements of Income for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2013, December 31, 2012, and December 31, 2011 and (vi) the Notes to Consolidated Financial Statements (filed herewith).	

* Incorporated by reference

Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

March 3, 2014 ZIONS BANCORPORATION

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

March 3, 2014

/s/ Harris H. Simmons
HARRIS H. SIMMONS, Director, Chairman,
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Doyle L. Arnold
DOYLE L. ARNOLD, Vice Chairman and
Chief Financial Officer
(Principal Financial Officer)

/s/ Alexander J. Hume
ALEXANDER J. HUME, Controller
(Principal Accounting Officer)

/s/ Jerry C. Atkin
JERRY C. ATKIN, Director

/s/ R. D. Cash
R. D. CASH, Director

/s/ Patricia Frobes
PATRICIA FROBES, Director

/s/ J. David Heaney
J. DAVID HEANEY, Director

/s/ Roger B. Porter
ROGER B. PORTER, Director

/s/ Stephen D. Quinn
STEPHEN D. QUINN, Director

/s/ L. E. Simmons
L. E. SIMMONS, Director

/s/ Steven C. Wheelwright
STEVEN C. WHEELWRIGHT, Director

/s/ Shelley Thomas Williams
SHELLEY THOMAS WILLIAMS, Director