ZIONS BANCORPORATION /UT/
Form 10-Q
November 08, 2012

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

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
COMMISSION FILE NUMBER 001-12307
ZIONS BANCORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0227400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
ONE SOUTH MAIN, 15TH FLOOR SALT LAKE CITY, UTAH	84133
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (801) 524-4787

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

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

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

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

Common Stock, without par value, outstanding at October 31, 2012	184,169,076 shares

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
INDEX

		Page
PART I. FINANCIAL INFORMATION		
ITEM 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets	3
	Consolidated Statements of Income	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Changes in Shareholders' Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	59
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	99
ITEM 4.	Controls and Procedures	99
PART II. OTHER INFORMATION		
ITEM 1.	Legal Proceedings	99
ITEM 1A.	Risk Factors	99
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	99
ITEM 6.	Exhibits	100
SIGNATURES		102

Table of Contents

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

(In thousands, except share amounts)	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	$1,060,918	$1,224,350
Money market investments:		
Interest-bearing deposits	5,519,463	7,020,895
Federal funds sold and security resell agreements	1,960,294	102,159
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $655,768 and $729,974)	740,738	807,804
Available-for-sale, at fair value	3,127,192	3,230,795
Trading account, at fair value	13,963	40,273
	3,881,893	4,078,872
Loans held for sale	220,240	201,590
Loans, net of unearned income and fees:		
Loans and leases	36,582,253	36,393,782
FDIC-supported loans	588,566	750,870
	37,170,819	37,144,652
Less allowance for loan losses	925,341	1,049,958
Loans, net of allowance	36,245,478	36,094,694
Other noninterest-bearing investments	874,903	865,231
Premises and equipment, net	709,188	719,276
Goodwill	1,015,129	1,015,129
Core deposit and other intangibles	55,034	67,830
Other real estate owned	118,190	153,178
Other assets	1,426,271	1,605,905
	$53,087,001	$53,149,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$17,295,911	$16,110,857
Interest-bearing:		
Savings and NOW	7,685,192	7,159,101
Money market	14,284,870	14,616,740
Time	3,107,815	3,413,550
Foreign	1,398,749	1,575,361
	43,772,537	42,875,609
Securities sold, not yet purchased	21,708	44,486
Federal funds purchased and security repurchase agreements	451,214	608,098
Other short-term borrowings	6,608	70,273
Long-term debt	2,326,659	1,954,462
Reserve for unfunded lending commitments	105,850	102,422
Other liabilities	484,170	510,531
Total liabilities	47,168,746	46,165,881

Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,123,377	2,377,560
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,156,402 and 184,135,388 shares	4,162,001	4,163,242
Retained earnings	1,170,477	1,036,590
Accumulated other comprehensive income (loss)	(534,738)	(592,084)
Controlling interest shareholders' equity	5,921,117	6,985,308
Noncontrolling interests	(2,862)	(2,080)
Total shareholders' equity	5,918,255	6,983,228
	$53,087,001	$53,149,109

See accompanying notes to consolidated financial statements.

3

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Interest income:				
Interest and fees on loans	$479,199	$520,133	$1,444,383	$1,562,031
Interest on money market investments	5,349	3,482	15,076	9,524
Interest on securities:				
Held-to-maturity	8,337	8,937	26,621	26,610
Available-for-sale	22,042	21,382	70,290	65,837
Trading account	110	462	596	1,452
Total interest income	515,037	554,396	1,556,966	1,665,454
Interest expense:				
Interest on deposits	19,049	31,093	63,285	101,834
Interest on short-term borrowings	193	1,501	1,228	5,464
Interest on long-term debt	51,597	51,207	173,969	247,533
Total interest expense	70,839	83,801	238,482	354,831
Net interest income	444,198	470,595	1,318,484	1,310,623
Provision for loan losses	(1,889)	14,553	24,628	75,883
Net interest income after provision for loan losses	446,087	456,042	1,293,856	1,234,740
Noninterest income:				
Service charges and fees on deposit accounts	44,951	44,154	131,909	131,562
Other service charges, commissions and fees	38,642	45,308	111,422	130,951
Trust and wealth management income	6,521	6,269	20,952	20,202
Capital markets and foreign exchange	6,026	7,729	19,102	23,301
Dividends and other investment income	11,686	9,356	42,708	34,623
Loan sales and servicing income	10,695	6,165	29,334	22,014
Fair value and nonhedge derivative loss	(5,820)	(5,718)	(17,004)	(303)
Equity securities gains, net	2,683	5,289	11,935	4,550
Fixed income securities gains, net	3,046	13,035	9,285	10,580
Impairment losses on investment securities:				
Impairment losses on investment securities	(3,876)	(55,530)	(46,175)	(64,974)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	1,140	42,196	25,922	43,377
Net impairment losses on investment securities	(2,736)	(13,334)	(20,253)	(21,597)
Other	3,495	2,789	9,820	27,651
Total noninterest income	119,189	121,042	349,210	383,534
Noninterest expense:				
Salaries and employee benefits	220,223	216,855	665,622	654,003
Occupancy, net	28,601	29,040	84,721	84,638
Furniture and equipment	27,122	26,852	81,216	78,667
Other real estate expense	207	20,564	14,457	62,634
Credit-related expense	13,316	15,379	39,216	47,416
Provision for unfunded lending commitments	2,264	(2,202)	3,428	(13,646)
Legal and professional services	12,749	8,897	36,792	24,018
Advertising	7,326	6,511	19,751	19,384

FDIC premiums	11,278	12,573	32,641	51,906
Amortization of core deposit and other intangibles	4,241	4,773	12,794	15,329
Other	67,648	69,776	198,365	209,300
Total noninterest expense	394,975	409,018	1,189,003	1,233,649
Income before income taxes	170,301	168,066	454,063	384,625
Income taxes	60,704	59,348	163,599	150,706
Net income	109,597	108,718	290,464	233,919
Net loss applicable to noncontrolling interests	(254)	(375)	(800)	(866)
Net income applicable to controlling interest	109,851	109,093	291,264	234,785
Preferred stock dividends	(47,529)	(43,928)	(148,238)	(125,815)
Net earnings applicable to common shareholders	$62,322	$65,165	$143,026	$108,970
Weighted average common shares outstanding during the period:				
Basic shares	183,237	182,676	183,008	182,289
Diluted shares	183,383	183,858	183,162	182,531
Net earnings per common share:				
Basic	$0.34	$0.35	$0.77	$0.59
Diluted	0.34	0.35	0.77	0.59

See accompanying notes to consolidated financial statements.

4

Table of Contents

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$109,597	$108,718	$290,464	$233,919
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains (losses) on investments	43,484	(54,049)	72,529	(90,109)
Reclassification for net losses (gains) on investments included in earnings	(191)	(405)	6,428	6,185
Noncredit-related impairment losses on securities not expected to be sold	(703)	(25,589)	(16,006)	(26,318)
Accretion of securities with noncredit-related impairment losses not expected to be sold	192	32	724	131
Net unrealized losses on derivative instruments	(1,373)	(4,332)	(6,329)	(17,427)
Other comprehensive income (loss)	41,409	(84,343)	57,346	(127,538)
Comprehensive income	151,006	24,375	347,810	106,381
Comprehensive loss applicable to noncontrolling interests	(254)	(375)	(800)	(866)
Comprehensive income applicable to controlling interest	$151,260	$24,750	$348,610	$107,247

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands, except share and per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2011	$2,377,560	184,135,388	$4,163,242	$1,036,590	$(592,084)	$(2,080)	$6,983,228
Net income (loss) for the period				291,264		(800)	290,464
Other comprehensive income					57,346		57,346
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	99,871		(14,519)				85,352
Net activity under employee plans and related tax benefits		21,014	11,856				11,856
Dividends on preferred stock	44,696			(148,238)			(103,542)
Dividends on common stock, $0.03 per share				(5,546)			(5,546)
Change in deferred compensation				237			237
Other changes in noncontrolling interests						18	18
Balance at September 30, 2012	$1,123,377	184,156,402	$4,162,001	$1,170,477	$(534,738)	$(2,862)	$5,918,255
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) for the period				234,785		(866)	233,919
Other comprehensive loss					(127,538)		(127,538)
Subordinated debt converted to preferred stock	281,759		(40,607)				241,152
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		443,156	12,637				12,637
Dividends on preferred stock	16,092			(125,815)			(109,723)

Dividends on common stock, $0.03 per share				(5,478)			(5,478)
Change in deferred compensation				1,604			1,604
Other changes in noncontrolling interests						82	82
Balance at September 30, 2011	$2,354,523	184,294,782	$4,160,697	$994,380	$(588,834)	$(1,849)	$6,918,917

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$109,597	$108,718	$290,464	$233,919
Adjustments to reconcile net income to net cash provided by operating activities:				
Net impairment losses on investment securities	2,736	13,334	20,253	21,597
Provision for credit losses	375	12,351	28,056	62,237
Depreciation and amortization	47,810	52,288	167,119	247,884
Deferred income tax expense	6,458	41,563	25,513	129,266
Net write-downs of and gains/losses from sales of other real estate owned	309	15,550	13,650	49,663
Net decrease (increase) in trading securities	6,576	1,370	26,310	(1,115)
Net decrease (increase) in loans held for sale	(77,225)	21,237	(5,848)	90,749
Change in other liabilities	(10,692)	33,697	(41,222)	26,801
Change in other assets	21,314	(84,465)	110,137	(24,977)
Other, net	(13,692)	261	(32,064)	(4,673)
Net cash provided by operating activities	93,566	215,904	602,368	831,351
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	490,947	(235,048)	(356,703)	(576,859)
Proceeds from maturities and paydowns of investment securities held-to-maturity	37,016	30,080	91,701	72,111
Purchases of investment securities held-to-maturity	(4,450)	(9,667)	(38,188)	(36,476)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	187,180	507,676	863,354	1,087,345
Purchases of investment securities available-for-sale	(73,636)	(523,772)	(667,566)	(1,042,235)
Proceeds from sales of loans and leases	24,665	8,836	64,452	15,026
Net loan and lease originations	(397,845)	(107,759)	(379,615)	(633,630)
Net decrease in other noninterest-bearing investments	2,549	2,372	14,723	12,690
Net purchases of premises and equipment	(15,145)	(22,749)	(47,962)	(62,229)
Proceeds from sales of other real estate owned	59,876	89,245	157,760	276,122
Net cash received from (paid for) branch sales	2,667	—	(19,901)	—
Net cash provided by (used in) investing activities	313,824	(260,786)	(317,945)	(888,135)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	612,290	171,934	926,287	428,209
Net change in short-term funds borrowed	(392,564)	(34,498)	(243,356)	(145,081)
Proceeds from issuance of long-term debt	49,082	23,527	648,468	53,777
Repayments of long-term debt	(7,604)	(8,191)	(262,783)	(8,522)
Cash paid for preferred stock redemption	(700,000)	—	(1,542,500)	—
Proceeds from issuance of common stock and preferred stock	513	237	142,516	25,644
Dividends paid on common and preferred stock	(32,770)	(40,297)	(109,088)	(115,201)

Other, net	(92)	(90)	(7,399)	(3,400)
Net cash provided by (used in) financing activities	(471,145)	112,622	(447,855)	235,426
Net increase (decrease) in cash and due from banks	(63,755)	67,740	(163,432)	178,642
Cash and due from banks at beginning of period	1,124,673	1,035,028	1,224,350	924,126
Cash and due from banks at end of period	$1,060,918	$1,102,768	$1,060,918	$1,102,768
Cash paid for interest	$65,384	$71,220	$172,712	$213,540
Net cash paid for income taxes	67,772	—	127,456	428

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2012

1. BASIS OF PRESENTATION

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

Operating results for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2011 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s 2011 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through banking subsidiaries 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 (“NBA”); 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 also owns and operates certain nonbank subsidiaries that engage in wealth management and other financial related services.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This new guidance under ASC 210, Balance Sheet, provides convergence to International Financial Reporting Standards (“IFRS”) to provide common disclosure requirements for the offsetting of financial instruments. Existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The new guidance is effective on a retrospective basis, including all prior periods presented, for interim and annual periods beginning on or after January 1, 2013. Management currently expects that this new guidance will not significantly impact the disclosures in the Company’s financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This new accounting guidance under ASC 220, Comprehensive Income, provides convergence to IFRS and no longer allows presentation of the components of other comprehensive income (“OCI”) in the statement of changes in shareholders’ equity. We adopted this new guidance effective January 1, 2012 as required and elected to present the components of OCI in a separate statement consecutive to the statement of income. There was otherwise no effect on the accompanying financial statements.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. This ASU under ASC 220 defers the requirements of ASU 2011-05 to display reclassification adjustments for each component of OCI in both the statement of income and the statement of comprehensive income and to present the components of OCI in interim financial statements. During 2012, the FASB has indicated it will reconsider the reclassification requirements and the timing of their implementation.

In April 2011, the FASB issued ASU 2011-03, Reconsideration of Effective Control for Repurchase Agreements. The primary feature of this new accounting guidance under ASC 860, Transfers and Servicing, relates to the criteria that determine whether a sale or a secured borrowing occurred based on the transferor's maintenance of effective control over

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

the transferred financial assets. The new guidance focuses on the transferor's contractual rights and obligations with respect to the transferred financial assets and not on the transferor's ability to perform under those rights and obligations. Accordingly, the collateral maintenance requirement is eliminated by ASU 2011-3 from the assessment of effective control. We adopted this new guidance effective January 1, 2012 as required. There was no material effect on the accompanying financial statements.
Additional recent accounting pronouncements are discussed where applicable in the Notes to Consolidated Financial Statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2012	2011	2012	2011
Loans transferred to other real estate owned	$37,140	$75,769	$141,439	$250,427
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	917	2,863	14,519	40,607
Subordinated debt converted to preferred stock	5,386	16,834	85,352	241,152

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

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

	September 30, 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	$511,354	$—	$—	$511,354	$13,674	$922	$524,106
Asset-backed securities:							
Trust preferred securities – banks and insurance	262,078	—	52,997	209,081	231	90,575	118,737
Other	23,017	—	2,814	20,203	235	7,613	12,825
Other debt securities	100	—	—	100	—	—	100
	$796,549	$—	$55,811	$740,738	$14,140	$99,110	$655,768
Available-for-sale							
U.S. Treasury securities	$4,405	$237	$—	$4,642			$4,642
U.S. Government agencies and corporations:							
Agency securities	112,747	4,629	92	117,284			117,284
Agency guaranteed mortgage-backed securities	443,714	21,907	8	465,613			465,613
Small Business Administration loan-backed securities	1,152,178	24,107	1,003	1,175,282			1,175,282
Municipal securities	112,467	3,355	2,175	113,647			113,647
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,740,291	26,059	801,062	965,288			965,288
Trust preferred securities – real estate investment trusts	40,422	—	25,015	15,407			15,407
Auction rate securities	7,100	92	79	7,113			7,113
Other	51,519	838	6,982	45,375			45,375
	3,664,843	81,224	836,416	2,909,651			2,909,651
Mutual funds and other	216,721	820	—	217,541			217,541
	$3,881,564	$82,044	$836,416	$3,127,192			$3,127,192

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011						
		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	$564,468	$—	$—	$564,468	$8,807	$ 1,083	$572,192
Asset-backed securities:							
Trust preferred securities – banks and insurance	262,853	—	40,546	222,307	207	78,191	144,323
Other	24,310	—	3,381	20,929	303	7,868	13,364
Other debt securities	100	—	—	100	—	5	95
	$851,731	$—	$43,927	$807,804	$9,317	$ 87,147	$729,974
Available-for-sale							
U.S. Treasury securities	$4,330	$304	$—	$4,634			$4,634
U.S. Government agencies and corporations:							
Agency securities	153,179	5,423	122	158,480			158,480
Agency guaranteed mortgage-backed securities	535,228	18,211	102	553,337			553,337
Small Business Administration loan-backed securities	1,153,039	12,119	4,496	1,160,662			1,160,662
Municipal securities	120,677	3,191	1,700	122,168			122,168
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,794,427	15,792	880,509	929,710			929,710
Trust preferred securities – real estate investment trusts	40,259	—	21,614	18,645			18,645
Auction rate securities	71,338	164	1,482	70,020			70,020
Other	64,646	1,028	15,302	50,372			50,372
	3,937,123	56,232	925,327	3,068,028			3,068,028
Mutual funds and other	162,606	167	6	162,767			162,767
	$4,099,729	$56,399	$925,333	$3,230,795			$3,230,795

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

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of September 30, 2012 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	Estimated	Amortized	Estimated

	cost	fair value	cost	fair value
Due in one year or less	$49,885	$50,155	$450,217	$416,979
Due after one year through five years	201,851	196,829	1,032,915	958,822
Due after five years through ten years	170,597	148,633	690,633	597,124
Due after ten years	374,216	260,151	1,491,078	936,726
	$796,549	$655,768	$3,664,843	$2,909,651

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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:

	September 30, 2012					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$875	$22,211	$47	$4,979	$922	$27,190
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	143,572	118,439	143,572	118,439
Other	—	—	10,427	11,968	10,427	11,968
	$875	$22,211	$154,046	$135,386	$154,921	$157,597
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$11	$6,922	$81	$6,993	$92	$13,915
Agency guaranteed mortgage-backed securities	7	1,482	1	236	8	1,718
Small Business Administration loan-backed securities	194	42,067	809	72,357	1,003	114,424
Municipal securities	58	5,491	2,117	11,401	2,175	16,892
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	801,062	739,539	801,062	739,539
Trust preferred securities – real estate investment trusts	—	—	25,015	15,407	25,015	15,407
Auction rate securities	—	—	79	3,044	79	3,044
Other	112	24,888	6,870	15,337	6,982	40,225
	382	80,850	836,034	864,314	836,416	945,164
Mutual funds and other	—	—	—	—	—	—
	$382	$80,850	$836,034	$864,314	$836,416	$945,164

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$415	$10,855	$668	$22,188	$1,083	$33,043
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	118,737	144,053	118,737	144,053
Other	—	—	11,249	13,364	11,249	13,364
Other debt securities	5	95	—	—	5	95
	$420	$10,950	$130,654	$179,605	$131,074	$190,555
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$60	$13,308	$62	$3,880	$122	$17,188
Agency guaranteed mortgage-backed securities	102	52,267	—	—	102	52,267
Small Business Administration loan-backed securities	1,783	260,865	2,713	191,339	4,496	452,204
Municipal securities	1,305	15,011	395	4,023	1,700	19,034
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	880,509	695,365	880,509	695,365
Trust preferred securities – real estate investment trusts	—	—	21,614	18,645	21,614	18,645
Auction rate securities	158	27,998	1,324	34,115	1,482	62,113
Other	—	—	15,302	18,585	15,302	18,585
	3,408	369,449	921,919	965,952	925,327	1,335,401
Mutual funds and other	6	167	—	—	6	167
	$3,414	$369,616	$921,919	$965,952	$925,333	$1,335,568

At September 30, 2012 and December 31, 2011, respectively, 95 and 72 HTM and 296 and 525 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

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

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

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

Our 2011 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at September 30, 2012:

OTTI – Municipal Securities

The HTM securities are purchased directly from municipalities and are generally not rated by a credit rating agency. The AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair value changes of these securities are largely driven by interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair

value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended September 30, 2012.

OTTI – Asset-Backed Securities

Trust preferred securities – banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities related to banks and insurance companies (“collateral issuers”). They are rated by one or more Nationally Recognized Statistical Rating Organizations (“NRSROs”), which are rating agencies registered with the Securities and Exchange Commission (“SEC”). They were purchased generally at par. 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 very high. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option each collateral issuer maintains during the life of the CDO, and the ability of junior CDO bonds to defer the payment of current interest. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the effective interest rates. All structured product fair values, including bank CDOs, deteriorated significantly during the crisis, generally reaching a low in mid-2009. Prices for some structured products, other than bank CDOs, have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to be characterized by considerable uncertainty surrounding collateral behavior, specifically including, but not limited to, the future number, size and timing of bank failures, and of allowed deferrals and subsequent resumption of payment 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. During 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. Our CDO pools include a bank which first exercised this deferral option as early as the second quarter of 2008. At September 30, 2012, 63 banks in our CDO pools had come current after a period of deferral, while 204 were deferring, but remained within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind (“PIK”) feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. 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. 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 non-specialists in the product.
5) At purchase, the expectation of cash flow variability was limited. As a result of the crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Our ongoing review of these securities determined that OTTI should be recorded for the three months ended September 30, 2012.

Trust preferred securities – real estate investment trusts (“REITs”): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder

ZIONS BANCORPORATION AND SUBSIDIARIES

credit in addition to the same factors previously discussed for banks and insurance CDOs. Based on our review, no OTTI for these securities was recorded for the three months ended September 30, 2012.
Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart Funding LLC at their carrying values and then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality and widening of credit spreads for asset backed securities. Based on our review, OTTI for one security in this asset group was recorded for the three months ended September 30, 2012.
OTTI – U.S. Government Agencies and Corporations
Small Business Administration ("SBA") Loan-Backed Securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three months ended September 30, 2012.

The following is a tabular rollforward of the total amount of credit-related OTTI, including amounts recognized in earnings:

(In thousands)	Three Months Ended September 30, 2012			Nine Months Ended September 30, 2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(6,467)	$(315,183)	$(321,650)	$(6,126)	$(314,860)	$(320,986)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]	—	—	—	(341)	—	(341)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	(657)	(2,079)	(2,736)	(657)	(19,255)	(19,912)
Subtotal of amounts recognized in earnings	(657)	(2,079)	(2,736)	(998)	(19,255)	(20,253)
Reductions for securities sold during the period		—	—		16,853	16,853
Balance of credit-related OTTI at end of period	$(7,124)	$(317,262)	$(324,386)	$(7,124)	$(317,262)	$(324,386)

(In thousands)	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(5,357)	$(290,209)	$(295,566)	$(5,357)	$(335,682)	$(341,039)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]	(769)	(3,007)	(3,776)	(769)	(3,007)	(3,776)
Credit-related OTTI previously recognized when there is no intent to sell and no	—	(9,558)	(9,558)	—	(17,821)	(17,821)

requirement to sell before recovery of amortized cost basis [2]						
Subtotal of amounts recognized in earnings	(769)	(12,565)	(13,334)	(769)	(20,828)	(21,597)
Reductions for securities sold during the period		—	—		53,736	53,736
Balance of credit-related OTTI at end of period	$(6,126)	$(302,774)	$(308,900)	$(6,126)	$(302,774)	$(308,900)

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
HTM	$—	$20,945	$16,718	$20,945
AFS	1,140	21,251	9,204	22,432
	$1,140	$42,196	$25,922	$43,377

During the three and nine months ended September 30, nontaxable interest income on securities was $4.2 million and $13.7 million in 2012, and $5.2 million and $16.4 million in 2011, respectively.

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

	Three Months Ended				Nine Months Ended			
	September 30, 2012		September 30, 2011		September 30, 2012		September 30, 2011	
(In thousands)	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$22	$657	$85	$769	$120	$998	$202	$769
Available-for-sale	3,026	2,081	12,950	12,565	14,955	25,045	20,532	30,982
Other noninterest-bearing investments:								
Nonmarketable equity securities	3,230	547	5,482	193	22,951	11,016	6,550	2,000
	6,278	3,285	18,517	13,527	38,026	37,059	27,284	33,751
Net gains (losses)		$2,993		$4,990		$967		$(6,467)
Statement of income information:								
Net impairment losses on investment securities		$(2,736)		$(13,334)		$(20,253)		$(21,597)
Equity securities gains, net		2,683		5,289		11,935		4,550
Fixed income securities gains, net		3,046		13,035		9,285		10,580
Net gains (losses)		$2,993		$4,990		$967		$(6,467)

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

Securities with a carrying value of $1.4 billion at September 30, 2012 and $1.5 billion at December 31, 2011 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.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	September 30, 2012	December 31, 2011
Loans held for sale	$220,240	$201,590
Commercial:		
Commercial and industrial	$10,748,266	$10,334,858
Leasing	405,012	379,709
Owner occupied	7,669,218	8,158,556
Municipal	469,237	441,241
Total commercial	19,291,733	19,314,364
Commercial real estate:		
Construction and land development	1,956,186	2,264,909
Term	8,139,546	7,883,434
Total commercial real estate	10,095,732	10,148,343
Consumer:		
Home equity credit line	2,175,338	2,187,428
1-4 family residential	4,181,002	3,921,216
Construction and other consumer real estate	320,087	305,873
Bankcard and other revolving plans	294,827	291,018
Other	223,534	225,540
Total consumer	7,194,788	6,931,075
FDIC-supported loans	588,566	750,870
Total loans	$37,170,819	$37,144,652

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

Loan balances are presented net of unearned income and fees, which amounted to $131.0 million at September 30, 2012 and $133.1 million at December 31, 2011.

Owner occupied and commercial real estate loans include unamortized premiums of approximately $61.4 million at September 30, 2012 and $73.4 million at December 31, 2011.

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 $20.1 billion at September 30, 2012 and $21.1 billion at December 31, 2011 have been made available for pledging at the Federal Reserve and various Federal Home Loan Banks as collateral for current and potential borrowings.

We sold loans totaling $369 million and $1,244 million for the three and nine months ended September 30, 2012, and $353 million and $1,202 million for the three and nine months ended September 30, 2011, respectively, 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 periods were $452 million and $1,260 million for the three and nine months ended September 30, 2012 and $336 million and $1,124 million for the three and nine months ended September 30, 2011, respectively. Income from loans sold, excluding servicing, was $8.5

million and $22.4

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

million for the three and nine months ended September 30, 2012 and $3.8 million and $13.9 million for the three and nine months ended September 30, 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 commercial real estate segments, we use a comprehensive loan grading system to assign probability of default and loss given default grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. Probability of default and loss given default 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 historic loan grades over the most recent 60 months.

For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience. These roll rates are then applied to current delinquency levels to estimate probable inherent losses.

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

After applying historic loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. Primary qualitative and environmental factors that may not be reflected in our quantitative models 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

We review changes in these factors to ensure that changes in the level of the ALLL are directionally consistent with changes in these 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.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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

Prior to the third quarter of 2012, for all troubled debt restructurings ("TDRs") regardless of size, the ALLL was based on an individual impairment evaluation, considering facts and circumstances specific to each borrower, as described subsequently. For loans no longer reported as TDRs, the ALLL was based on the methodology consistent with our nonimpaired loans, as described previously. Beginning in the third quarter of 2012, for qualifying TDRs (i.e., accruing TDRs, nonaccruing TDRs less than $1 million, and for loans no longer reported as TDRs since the beginning of 2012), the ALLL is based on a discounted cash flow analysis performed at the individual loan level, where credit losses are estimated based on historical loss statistics, derived from loans with similar risk characteristics (e.g., credit quality indicator and loan type), rather than the previous methodology that considered facts and circumstances specific to each borrower. This change in methodology had the effect of increasing the ALLL at September 30, 2012 by approximately $19 million.

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

	Three Months Ended September 30, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$616,359	$232,049	$102,391	$20,917	$971,716
Additions:					
Provision for loan losses	2,843	(5,010)	3,351	(3,073)	(1,889)
Adjustment for FDIC-supported loans	—	—	—	(5,908)	(5,908)
Deductions:					
Gross loan and lease charge-offs	(26,424)	(20,264)	(11,391)	(702)	(58,781)
Recoveries	12,013	3,312	3,262	1,616	20,203
Net loan and lease charge-offs	(14,411)	(16,952)	(8,129)	914	(38,578)
Balance at end of period	$604,791	$210,087	$97,613	$12,850	$925,341
Reserve for unfunded lending commitments:					
Balance at beginning of period	$70,553	$31,663	$1,370	$—	$103,586
Provision charged (credited) to earnings	542	1,741	(19)	—	2,264
Balance at end of period	$71,095	$33,404	$1,351	$—	$105,850
Total allowance for credit losses at end of period:					
Allowance for loan losses	$604,791	$210,087	$97,613	$12,850	$925,341
Reserve for unfunded lending commitments	71,095	33,404	1,351	—	105,850
Total allowance for credit losses	$675,886	$243,491	$98,964	$12,850	$1,031,191

19

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Nine Months Ended September 30, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$627,825	$275,546	$123,115	$23,472	$1,049,958
Additions:					
Provision for loan losses	35,741	(17,651)	9,989	(3,451)	24,628
Adjustment for FDIC-supported loans	—	—	—	(12,821)	(12,821)
Deductions:					
Gross loan and lease charge-offs	(91,477)	(70,098)	(45,722)	(5,183)	(212,480)
Recoveries	32,702	22,290	10,231	10,833	76,056
Net loan and lease charge-offs	(58,775)	(47,808)	(35,491)	5,650	(136,424)
Balance at end of period	$604,791	$210,087	$97,613	$12,850	$925,341
Reserve for unfunded lending commitments:					
Balance at beginning of period	$77,232	$23,572	$1,618	$—	$102,422
Provision charged (credited) to earnings	(6,137)	9,832	(267)	—	3,428
Balance at end of period	$71,095	$33,404	$1,351	$—	$105,850
Total allowance for credit losses at end of period:					
Allowance for loan losses	$604,791	$210,087	$97,613	$12,850	$925,341
Reserve for unfunded lending commitments	71,095	33,404	1,351	—	105,850
Total allowance for credit losses	$675,886	$243,491	$98,964	$12,850	$1,031,191

(In thousands)	Three Months Ended September 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$667,646	$392,852	$149,773	$27,462	$1,237,733
Additions:					
Provision for loan losses	47,764	(49,770)	15,618	941	14,553
Adjustment for FDIC-supported loans	—	—	—	(1,520)	(1,520)
Deductions:					
Gross loan and lease charge-offs	(63,047)	(44,658)	(18,475)	(2,966)	(129,146)
Recoveries	8,788	13,285	3,185	2,025	27,283
Net loan and lease charge-offs	(54,259)	(31,373)	(15,290)	(941)	(101,863)
Balance at end of period	$661,151	$311,709	$150,101	$25,942	$1,148,903
Reserve for unfunded lending commitments:					
Balance at beginning of period	$75,082	$23,852	$1,330	$—	$100,264
Provision charged (credited) to earnings	1,549	(3,278)	(473)	—	(2,202)
Balance at end of period	$76,631	$20,574	$857	$—	$98,062

Total allowance for credit losses at end of period:					
Allowance for loan losses	$661,151	$311,709	$150,101	$25,942	$1,148,903
Reserve for unfunded lending commitments	76,631	20,574	857	—	98,062
Total allowance for credit losses	$737,782	$332,283	$150,958	$25,942	$1,246,965

20

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Nine Months Ended September 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$761,107	$487,235	$154,326	$37,673	$1,440,341
Additions:					
Provision for loan losses	37,864	(21,475)	53,564	5,930	75,883
Adjustment for FDIC-supported loans	—	—	—	(6,196)	(6,196)
Deductions:					
Gross loan and lease charge-offs	(172,103)	(182,849)	(68,407)	(16,199)	(439,558)
Recoveries	34,283	28,798	10,618	4,734	78,433
Net loan and lease charge-offs	(137,820)	(154,051)	(57,789)	(11,465)	(361,125)
Balance at end of period	$661,151	$311,709	$150,101	$25,942	$1,148,903
Reserve for unfunded lending commitments:					
Balance at beginning of period	$83,352	$26,373	$1,983	$—	$111,708
Provision charged (credited) to earnings	(6,721)	(5,799)	(1,126)	—	(13,646)
Balance at end of period	$76,631	$20,574	$857	$—	$98,062
Total allowance for credit losses at end of period:					
Allowance for loan losses	$661,151	$311,709	$150,101	$25,942	$1,148,903
Reserve for unfunded lending commitments	76,631	20,574	857	—	98,062
Total allowance for credit losses	$737,782	$332,283	$150,958	$25,942	$1,246,965

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

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

(In thousands)	September 30, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$36,278	$30,579	$15,036	$—	$81,893
Collectively evaluated for impairment	568,513	179,508	82,577	10,069	840,667
Purchased loans with evidence of credit deterioration	—	—	—	2,781	2,781
Total	$604,791	$210,087	$97,613	$12,850	$925,341
Outstanding loan balances:					
Individually evaluated for impairment	$344,411	$495,569	$97,589	$1,581	$939,150
Collectively evaluated for impairment	18,947,322	9,600,163	7,097,199	494,513	36,139,197
Purchased loans with evidence of credit deterioration	—	—	—	92,472	92,472
Total	$19,291,733	$10,095,732	$7,194,788	$588,566	$37,170,819

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	$11,456	$20,971	$8,995	$623	$42,045
Collectively evaluated for impairment	616,369	254,575	114,120	16,830	1,001,894
Purchased loans with evidence of credit deterioration	—	—	—	6,019	6,019
Total	$627,825	$275,546	$123,115	$23,472	$1,049,958
Outstanding loan balances:					
Individually evaluated for impairment	$349,662	$668,022	$113,798	$2,701	$1,134,183
Collectively evaluated for impairment	18,964,702	9,480,321	6,817,277	637,962	35,900,262
Purchased loans with evidence of credit deterioration	—	—	—	110,207	110,207
Total	$19,314,364	$10,148,343	$6,931,075	$750,870	$37,144,652

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.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Nonaccrual loans are summarized as follows:

(In thousands)	September 30, 2012	December 31, 2011
Loans held for sale	$29	$18,216
Commercial:		
Commercial and industrial	$103,206	$126,468
Leasing	1,393	1,546
Owner occupied	223,419	239,203
Municipal	5,897	—
Total commercial	333,915	367,217
Commercial real estate:		
Construction and land development	124,855	219,837
Term	155,141	156,165
Total commercial real estate	279,996	376,002
Consumer:		
Home equity credit line	11,867	18,376
1-4 family residential	65,736	90,857
Construction and other consumer real estate	6,110	12,096
Bankcard and other revolving plans	871	346
Other	1,428	2,498
Total consumer loans	86,012	124,173
FDIC-supported loans	19,454	24,267
Total	$719,377	$891,659

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

	September 30, 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]
Loans held for sale	$220,211	$29	$—	$29	$220,240	$—	$—
Commercial:							
Commercial and industrial	$10,635,534	$47,041	$65,691	$112,732	$10,748,266	$6,286	$37,630
Leasing	402,741	878	1,393	2,271	405,012	—	—
Owner occupied	7,523,411	56,027	89,780	145,807	7,669,218	1,370	112,781
Municipal	469,237	—	—	—	469,237	—	5,897
Total commercial	19,030,923	103,946	156,864	260,810	19,291,733	7,656	156,308
Commercial real estate:							
Construction and land development	1,874,942	16,242	65,002	81,244	1,956,186	1,378	61,089
Term	8,017,163	43,133	79,250	122,383	8,139,546	3,786	63,428
Total commercial real estate	9,892,105	59,375	144,252	203,627	10,095,732	5,164	124,517
Consumer:							
Home equity credit line	2,165,086	6,430	3,822	10,252	2,175,338	—	5,558
1-4 family residential	4,121,285	19,792	39,925	59,717	4,181,002	362	21,451

Construction and other consumer real estate	314,251	2,615	3,221	5,836	320,087	292	2,789
Bankcard and other revolving plans	290,295	3,360	1,172	4,532	294,827	1,027	227
Other	221,366	983	1,185	2,168	223,534	7	178
Total consumer loans	7,112,283	33,180	49,325	82,505	7,194,788	1,688	30,203
FDIC-supported loans	501,245	15,983	71,338	87,321	588,566	60,913	8,508
Total	$36,536,556	$212,484	$421,779	$634,263	$37,170,819	$75,421	$ 319,536

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2011 Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current[1]
Loans held for sale	$183,344	$—	$18,246	$18,246	$201,590	$30	$—
Commercial:							
Commercial and industrial	$10,198,434	$62,153	$74,271	$136,424	$10,334,858	$4,966	$47,939
Leasing	377,914	1,634	161	1,795	379,709	—	1,319
Owner occupied	7,953,280	93,763	111,513	205,276	8,158,556	3,230	85,495
Municipal	441,241	—	—	—	441,241	—	—
Total commercial	18,970,869	157,550	185,945	343,495	19,314,364	8,196	134,753
Commercial real estate:							
Construction and land development	2,137,544	21,562	105,803	127,365	2,264,909	2,471	107,991
Term	7,770,268	51,592	61,574	113,166	7,883,434	4,170	88,451
Total commercial real estate	9,907,812	73,154	167,377	240,531	10,148,343	6,641	196,442
Consumer:							
Home equity credit line	2,169,190	8,669	9,569	18,238	2,187,428	—	5,542
1-4 family residential	3,846,012	18,985	56,219	75,204	3,921,216	2,833	32,067
Construction and other consumer real estate	294,371	5,008	6,494	11,502	305,873	136	4,773
Bankcard and other revolving plans	287,541	1,984	1,493	3,477	291,018	1,309	122
Other	221,575	1,995	1,970	3,965	225,540	—	372
Total consumer loans	6,818,689	36,641	75,745	112,386	6,931,075	4,278	42,876
FDIC-supported loans	634,113	27,791	88,966	116,757	750,870	74,611	6,812
Total	$36,331,483	$295,136	$518,033	$813,169	$37,144,652	$93,726	$380,883

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

Credit Quality Indicators

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

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

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

Special Mention: A Special Mention asset has potential weaknesses that may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the bank is currently protected and loss is considered unlikely and not imminent.

Substandard: A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by the distinct possibility that the bank may sustain some loss if deficiencies are not corrected.
Doubtful: A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

We generally assign internal grades to commercial and commercial real estate loans with commitments equal to or greater than $500,000 based on financial/statistical models, individual credit analysis, and loan officer judgment. For these larger loans, we assign one of fourteen probability of default grades (in order of declining credit quality) and one of twelve loss-given-default grades. The first ten of the fourteen probability of default grades indicate a Pass grade. The remaining four grades are: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged-off. We evaluate our credit quality information such as risk grades at least quarterly, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.

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

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

	September 30, 2012					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$219,632	$—	$579	$29	$220,240	$—
Commercial:						
Commercial and industrial	$10,137,286	$282,677	$323,196	$5,107	$10,748,266	
Leasing	398,063	589	6,343	17	405,012	
Owner occupied	6,932,995	156,653	573,761	5,809	7,669,218	
Municipal	459,929	3,411	5,897	—	469,237	
Total commercial	17,928,273	443,330	909,197	10,933	19,291,733	$604,791
Commercial real estate:						
Construction and land development	1,545,806	137,660	272,210	510	1,956,186	
Term	7,479,468	222,114	436,085	1,879	8,139,546	
Total commercial real estate	9,025,274	359,774	708,295	2,389	10,095,732	210,087
Consumer:						
Home equity credit line	2,133,557	83	41,698	—	2,175,338	
1-4 family residential	4,064,901	2,934	113,167	—	4,181,002	
Construction and other consumer real estate	309,983	510	9,594	—	320,087	
Bankcard and other revolving plans	284,192	2,918	7,717	—	294,827	
Other	219,501	—	4,033	—	223,534	
Total consumer loans	7,012,134	6,445	176,209	—	7,194,788	97,613
FDIC-supported loans	378,464	24,362	185,740	—	588,566	12,850
Total	$34,344,145	$833,911	$1,979,441	$13,322	$37,170,819	$925,341

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$182,626	$—	$18,964	$—	$201,590	$—
Commercial:						
Commercial and industrial	$9,612,143	$271,845	$442,139	$8,731	$10,334,858	
Leasing	362,711	5,878	11,120	—	379,709	
Owner occupied	7,481,207	184,821	486,584	5,944	8,158,556	
Municipal	425,807	15,434	—	—	441,241	
Total commercial	17,881,868	477,978	939,843	14,675	19,314,364	$627,825
Commercial real estate:						
Construction and land development	1,647,741	187,323	426,152	3,693	2,264,909	
Term	7,243,678	196,377	437,390	5,989	7,883,434	
Total commercial real estate	8,891,419	383,700	863,542	9,682	10,148,343	275,546
Consumer:						
Home equity credit line	2,136,190	106	51,089	43	2,187,428	
1-4 family residential	3,788,958	5,736	126,277	245	3,921,216	
Construction and other consumer real estate	274,712	12,206	16,967	1,988	305,873	
Bankcard and other revolving plans	278,767	3,832	8,419	—	291,018	
Other	221,114	163	4,256	7	225,540	
Total consumer loans	6,699,741	22,043	207,008	2,283	6,931,075	123,115
FDIC-supported loans	499,956	35,877	215,031	6	750,870	23,472
Total	$33,972,984	$919,598	$2,225,424	$26,646	$37,144,652	$1,049,958

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. If a nonaccrual loan has a balance greater than $1 million or if a loan is a 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. 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. Payments are recognized when cash is received.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three and nine months ended September 30, 2012 and 2011:

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	September 30, 2012				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$183,935	$30,481	$119,029	$149,510	$20,642
Owner occupied	218,234	80,905	108,099	189,004	15,297
Municipal	5,897	—	5,897	5,897	339
Total commercial	408,066	111,386	233,025	344,411	36,278
Commercial real estate:					
Construction and land development	252,760	86,123	121,471	207,594	9,675
Term	349,308	96,016	191,959	287,975	20,904
Total commercial real estate	602,068	182,139	313,430	495,569	30,579
Consumer:					
Home equity credit line	1,397	580	155	735	61
1-4 family residential	103,099	20,912	66,813	87,725	14,232
Construction and other consumer real estate	9,343	2,758	4,221	6,979	743
Bankcard and other revolving plans	284	284	—	284	—
Other	2,312	1,866	—	1,866	—
Total consumer loans	116,435	26,400	71,189	97,589	15,036
FDIC-supported loans	193,983	58,899	35,154	94,053	2,781
Total	$1,320,552	$378,824	$652,798	$1,031,622	$84,674

	December 31, 2011				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$212,263	$69,492	$66,438	$135,930	$6,373
Owner occupied	258,173	135,555	78,177	213,732	5,083
Total commercial	470,436	205,047	144,615	349,662	11,456
Commercial real estate:					
Construction and land development	405,499	178,113	136,634	314,747	8,925
Term	414,998	187,345	165,930	353,275	12,046
Total commercial real estate	820,497	365,458	302,564	668,022	20,971
Consumer:					
Home equity credit line	1,955	384	1,469	1,853	411
1-4 family residential	116,498	58,392	39,960	98,352	7,555
Construction and other consumer real estate	13,340	4,537	6,188	10,725	1,026
Bankcard and other revolving plans	—	—	—	—	—
Other	2,889	2,840	28	2,868	3
Total consumer loans	134,682	66,153	47,645	113,798	8,995
FDIC-supported loans	353,195	47,736	65,188	112,924	6,642

Total	$1,778,810	$684,394	$560,012	$1,244,406	$48,064

27

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Three Months Ended September 30, 2012 Average recorded investment	Three Months Ended September 30, 2012 Interest income recognized	Nine Months Ended September 30, 2012 Average recorded investment	Nine Months Ended September 30, 2012 Interest income recognized
Commercial:				
Commercial and industrial	$133,120	$830	$128,930	$2,395
Owner occupied	187,072	558	168,328	1,729
Municipal	3,943	—	1,314	—
Total commercial	324,135	1,388	298,572	4,124
Commercial real estate:				
Construction and land development	205,295	1,133	188,064	2,780
Term	288,735	1,723	258,159	5,806
Total commercial real estate	494,030	2,856	446,223	8,586
Consumer:				
Home equity credit line	742	3	847	6
1-4 family residential	86,103	431	79,993	1,162
Construction and other consumer real estate	6,764	43	6,641	128
Bankcard and other revolving plans	287	—	128	—
Other	1,972	—	2,320	—
Total consumer loans	95,868	477	89,929	1,296
FDIC-supported loans	94,890	14,055 [1]	102,709	34,202 [1]
Total	$1,008,923	$18,776	$937,433	$48,208

(In thousands)	Three Months Ended September 30, 2011 Average recorded investment	Three Months Ended September 30, 2011 Interest income recognized	Nine Months Ended September 30, 2011 Average recorded investment	Nine Months Ended September 30, 2011 Interest income recognized
Commercial:				
Commercial and industrial	$176,884	$468	$194,582	$1,608
Leasing	240	—	124	—
Owner occupied	269,455	634	297,808	2,066
Municipal	3,872	—	3,256	—
Total commercial	450,451	1,102	495,770	3,674
Commercial real estate:				
Construction and land development	406,510	1,229	480,834	3,803
Term	387,178	2,082	412,378	6,381
Total commercial real estate	793,688	3,311	893,212	10,184
Consumer:				
Home equity credit line	1,133	—	1,265	1
1-4 family residential	103,983	353	106,439	977
Construction and other consumer real estate	12,034	29	12,744	51
Bankcard and other revolving plans	—	—	21	—
Other	3,723	—	3,793	—
Total consumer loans	120,873	382	124,262	1,029

FDIC-supported loans	133,911	12,661 [1]	152,241	41,164 [1]
Total	$1,498,923	$17,456	$1,665,485	$56,051

[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.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Selected information on TDRs that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following table. This information reflects all TDRs at September 30, 2012 and December 31, 2011:

	September 30, 2012						
	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	$2,574	$6,873	$—	$3,547	$20,510	$47,220	$80,724
Owner occupied	2,027	14,853	—	4,052	4,277	11,232	36,441
Total commercial	4,601	21,726	—	7,599	24,787	58,452	117,165
Commercial real estate:							
Construction and land development	1,734	26,500	4	58	19,181	40,259	87,736
Term	4,145	1,691	2,974	2,182	58,128	89,901	159,021
Total commercial real estate	5,879	28,191	2,978	2,240	77,309	130,160	246,757
Consumer:							
Home equity credit line	194	—	—	—	—	79	273
1-4 family residential	6,133	6,262	1,054	—	3,817	35,956	53,222
Construction and other consumer real estate	151	469	—	—	642	2,376	3,638
Total consumer loans	6,478	6,731	1,054	—	4,459	38,411	57,133
Total accruing	16,958	56,648	4,032	9,839	106,555	227,023	421,055
Nonaccruing							
Commercial:							
Commercial and industrial	331	4,597	1,827	802	8,273	9,753	25,583
Owner occupied	4,249	4,216	669	10,322	8,780	16,332	44,568
Total commercial	4,580	8,813	2,496	11,124	17,053	26,085	70,151
Commercial real estate:							
Construction and land development	13,991	2,426	—	—	17,970	38,836	73,223
Term	3,244	560	—	2,153	11,816	24,320	42,093
Total commercial real estate	17,235	2,986	—	2,153	29,786	63,156	115,316
Consumer:							
Home equity credit line	—	—	—	—	—	127	127
1-4 family residential	1,134	668	309	—	1,755	15,020	18,886
Construction and other consumer real estate	9	1,731	—	—	330	255	2,325
Bankcard and other revolving plans	—	284	—	—	—	—	284
Total consumer loans	1,143	2,683	309	—	2,085	15,402	21,622

Total nonaccruing	22,958	14,482	2,805	13,277	48,924	104,643	207,089
Total	$39,916	$71,130	$ 6,837	$23,116	$155,479	$ 331,666	$628,144

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	December 31, 2011						
	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	$302	$7,727	$ —	$1,955	$27,370	$ 4,517	$41,871
Owner occupied	1,875	15,224	37	1,008	5,504	20,449	44,097
Total commercial	2,177	22,951	37	2,963	32,874	24,966	85,968
Commercial real estate:							
Construction and land development	644	33,284	565	—	28,911	34,862	98,266
Term	2,738	33,885	3,027	23,640	54,031	95,868	213,189
Total commercial real estate	3,382	67,169	3,592	23,640	82,942	130,730	311,455
Consumer:							
Home equity credit line	—	—	—	—	32	—	32
1-4 family residential	3,270	1,663	525	—	6,103	34,839	46,400
Construction and other consumer real estate	166	1,444	—	—	635	1,981	4,226
Other	—	28	—	—	—	—	28
Total consumer loans	3,436	3,135	525	—	6,770	36,820	50,686
Total accruing	8,995	93,255	4,154	26,603	122,586	192,516	448,109
Nonaccruing							
Commercial:							
Commercial and industrial	3,526	6,094	—	1,429	8,384	10,202	29,635
Owner occupied	4,464	1,101	715	6,575	17,070	10,300	40,225
Total commercial	7,990	7,195	715	8,004	25,454	20,502	69,860
Commercial real estate:							
Construction and land development	15,088	3,348	19	2,060	7,441	94,502	122,458
Term	3,445	50	—	4,250	4,724	65,316	77,785
Total commercial real estate	18,533	3,398	19	6,310	12,165	159,818	200,243
Consumer:							
Home equity credit line	195	—	—	—	253	69	517
1-4 family residential	1,386	85	939	718	1,391	18,476	22,995
Construction and other consumer real estate	18	1,837	—	—	—	355	2,210
Total consumer loans	1,599	1,922	939	718	1,644	18,900	25,722
Total nonaccruing	28,122	12,515	1,673	15,032	39,263	199,220	295,825
Total	$37,117	$105,770	$ 5,827	$41,635	$161,849	$ 391,736	$743,934

[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 $17 million at September 30, 2012 and $9 million at December 31, 2011.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The total recorded investment of all TDRs in which interest rates were modified below market was $210.1 million at September 30, 2012 and $269.9 million at December 31, 2011. These loans are included in the previous table in the columns for interest rate below market and multiple modification types.

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

(In thousands)	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Commercial:			
Commercial and industrial	$(134)	$(157)	$(46)
Owner occupied	(309)	(1,012)	(1,650)
Total commercial	(443)	(1,169)	(1,696)
Commercial real estate:			
Construction and land development	(273)	(742)	(244)
Term	(1,443)	(4,469)	(7,096)
Total commercial real estate	(1,716)	(5,211)	(7,340)
Consumer:			
Home equity credit line	(18)	(51)	—
1-4 family residential	(4,204)	(12,045)	(10,188)
Construction and other consumer real estate	(230)	(445)	(406)
Total consumer loans	(4,452)	(12,541)	(10,594)
Total decrease to interest income	$(6,611) [1]	$(18,921) [1]	$(19,630) [1]

[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 September 30, 2012, the recorded investment of accruing and nonaccruing TDRs that had a payment default during the period listed below (and are still in default at period-end) and are within 12 months or less of being modified as TDRs is as follows:

(In thousands)	Three Months Ended September 30, 2012			Nine Months Ended September 30, 2012			Year Ended December 31, 2011		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:									
Commercial and industrial	$—	$ 107	$107	$—	$ 1,441	$1,441	$35	$ 1,700	$1,735
Owner occupied	—	—	—	—	5,405	5,405	—	441	441
Total commercial	—	107	107	—	6,846	6,846	35	2,141	2,176
Commercial real estate:									
Construction and land development	—	2,229	2,229	—	2,525	2,525	—	11,667	11,667
Term	—	—	—	—	—	—	—	5,971	5,971
	—	2,229	2,229	—	2,525	2,525	—	17,638	17,638

Total commercial real estate									
Consumer:									
1-4 family residential	—	—	—	—	1,089	1,089	—	2,745	2,745
Total consumer loans	—	—	—	—	1,089	1,089	—	2,745	2,745
Total	$—	$ 2,336	$2,336	$—	$ 10,460	$10,460	$35	$ 22,524	$22,559

Note: Total loans modified as TDRs during the 12 months previous to September 30, 2012 were $164.6 million.

32

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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 September 30, 2012 concluded that no significant exposure exists from such credit risk concentrations. See Note 6 for a discussion of counterparty risk associated with the Company's derivative transactions.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. Purchased credit-impaired ("PCI") loans have evidence of credit deterioration at the time of acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

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. The FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above the threshold for a period of five years on most of the covered portfolio, although the period is ten years 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. During the first quarter of 2011, certain FDIC-supported loans charged off at the time of acquisition were determined to be covered by the FDIC loss sharing agreement. The FDIC remitted $18.9 million to the Company, which was recognized in other noninterest income.

Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. The acquired foreclosed assets and subsequent real estate foreclosures were included with other real estate owned ("OREO") in the balance sheet and amounted to $11.8 million at September 30, 2012 and $24.3 million at December 31, 2011.

Outstanding Balances and Accretable Yield

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

(In thousands)	September 30, 2012	December 31, 2011
Commercial	$254,523	$321,515
Commercial real estate	413,269	556,197
Consumer	44,731	57,391
Outstanding balance	$712,523	$935,103
Carrying amount	$529,833	$672,159
ALLL	12,062	21,604
Carrying amount, net	$517,771	$650,555

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

ZIONS BANCORPORATION AND SUBSIDIARIES

cash flows expected to be collected, the portion representing the excess of the loan’s expected cash flows over our initial investment (accretable yield) is accreted into interest income on a level yield basis over the remaining expected life of the loan or pool of loans. The effects of estimated prepayments are considered in estimating the expected cash flows.

Certain PCI loans are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. Under these circumstances, the accounting guidance provides that interest income is recognized on a cash basis similar to the cost recovery methodology for nonaccrual loans. The net carrying amounts in the preceding schedule also include the amounts for these loans, which were approximately $40.1 million at September 30, 2012 and $42.6 million at December 31, 2011.

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance at beginning of period	$157,040	$242,199	$184,679	$277,005
Accretion	(25,409)	(30,568)	(69,824)	(93,258)
Reclassification from nonaccretable difference	9,565	(16)	25,112	25,896
Disposals and other	3,550	877	4,779	2,849
Balance at end of period	$144,746	$212,492	$144,746	$212,492

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 driver of reclassifications to accretable yield from nonaccretable difference resulted from changes in estimated cash flows for the acquired loans and loan pools, as discussed subsequently 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 the three and nine months ended September 30, we adjusted the ALLL for acquired loans by recording a (decrease) increase on an adjusted gross basis to the provision for loan losses of $(9.0) million and $(16.3) million in 2012, and $(0.6) million and $(0.3) million in 2011, respectively. These amounts are net of the ALLL reversals due to increases in estimated cash flows which are discussed subsequently. As separately discussed and in accordance with the loss sharing agreements, portions of the increases to the provision are recoverable from the FDIC and comprise part of the FDIC IA. For the three and nine months ended September 30, 2012, these adjustments, before FDIC indemnification, resulted in net recoveries of $1.4 million and $8.1 million, respectively. For the three and nine months ended September 30, 2011 they resulted in net charge-offs of $0.9 million and $11.4 million, respectively. Changes in the provision for loan losses and related ALLL are driven in large part by the same factors that affect the changes in reclassification from nonaccretable difference to accretable yield, as discussed under changes in cash flow estimates.

Changes in Cash Flow Estimates

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

For increases in carrying values that resulted from better-than-expected cash flows, we use such increases first to reverse any existing ALLL. During the three and nine months ended September 30, total reversals to the ALLL, including the impact of increases in estimated cash flows, were $8.3 million and $18.9 million in 2012, and $3.5 million and $12.6 million in 2011, respectively. When there is no current ALLL, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense. Changes that increase cash flows have been due primarily to (1) the enhanced economic status of borrowers compared to original evaluations, (2) improvements in the Southern California market where the majority of these loans were originated, and (3) stronger efforts by our credit officers and loan workout professionals to resolve problem loans.

For the three and nine months ended September 30, the impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $17.6 million and $45.5 million in 2012, and $20.6 million and $61.3 million in 2011, respectively, of additional interest income, and $14.4 million and $35.6 million in 2012, and $15.4 million and $43.5 million in 2011, respectively, of additional other noninterest expense due to the reduction of the FDIC IA.

FDIC Indemnification Asset

In October 2012, the FASB issued ASU 2012-6, Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution, a consensus of the FASB Emerging Issues Task Force. This new guidance under ASC 805, Business Combinations, provides that a change in measurement of the indemnification asset due to a change in expected cash flows would be accounted for on the same basis as the change in the indemnified loans. Any amortization period for the changes in value would be limited to the lesser of the term of the indemnification agreement and the remaining life of the indemnified loans. The new guidance is effective for interim or annual periods beginning on or after December 15, 2012 and permits early adoption. We do not expect our method of accounting for the FDIC IA to change as a result of this new guidance.

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

Changes in the FDIC IA were as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Balance at beginning of period	$117,167	$150,557	$133,810	$195,516
Amounts filed with the FDIC and collected or in process [1]	3,904	1,551	15,106	(11,360)
Net change in asset balance due to reestimation of projected cash flows [2]	(20,165)	(16,809)	(48,010)	(48,857)
Balance at end of period	$100,906	$135,299	$100,906	$135,299

1 Beginning in the latter half of 2011, the FDIC changed its reimbursement process to require that submitted expenses must be paid, not just incurred, to qualify for reimbursement.

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

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value. Note 9 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to credit risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the 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 ineffectiveness, is reflected in earnings. In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized 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 at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At September 30, 2012, the fair value of our derivative liabilities was $96.4 million, for which we were required to pledge cash collateral of approximately $104.6 million in the normal course of business. If our credit rating were downgraded by one notch at September 30, 2012, the additional amount of collateral we could be required to pledge is $1 million.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Derivatives not designated as accounting hedges, including basis swap agreements, are not speculative and are used to

economically manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Selected information with respect to notional amounts and recorded gross fair values at September 30, 2012 and December 31, 2011, and the related gain (loss) of derivative instruments for the three and nine months ended September 30, 2012 and 2011 is summarized as follows:

	September 30, 2012			December 31, 2011		
(In thousands)	Notional amount	Fair value Other assets	Other liabilities	Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges [1]:						
Interest rate swaps	$150,000	$2,447	$—	$335,000	$7,341	$—
Total derivatives designated as hedging instruments	150,000	2,447	—	335,000	7,341	—
Derivatives not designated as hedging instruments						
Interest rate swaps	98,524	1,260	1,267	145,388	1,952	1,977
Interest rate swaps for customers [2]	2,467,198	84,938	90,074	2,638,601	82,648	87,363
Basis swaps	—	—	—	85,000	3	11
Options contracts	—	—	—	1,700,000	11	—
Total return swap	1,159,686	—	5,048	1,159,686	—	5,422
Total derivatives not designated as hedging instruments	3,725,408	86,198	96,389	5,728,675	84,614	94,773
Total derivatives	$3,875,408	$88,645	$96,389	$6,063,675	$91,955	$94,773

	Three Months Ended September 30, 2012				Nine Months Ended September 30, 2012			
	Amount of derivative gain (loss) recognized/reclassified							
(In thousands)	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$84	$2,378	$—		$390	$ 10,871	$—	
	84	2,378	—		390	10,871 [3]	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$771				$2,277
Total derivatives designated as hedging instruments	84	2,378	—	771	390	10,871	—	2,277
Derivatives not designated as hedging instruments								

Interest rate swaps			(174)				(302)	
Interest rate swaps for customers [2]			1,331				1,917	
Basis swaps			—				18	
Futures contracts			(2)				(12)	
Total return swap			(5,403)				(16,303)	
Total derivatives not designated as hedging instruments			(4,248)				(14,682)	
Total derivatives	$84	$2,378	$(4,248)	$771	$390	$ 10,871	$ (14,682)	$2,277

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Three Months Ended September 30, 2011				Nine Months Ended September 30, 2011			
	Amount of derivative gain (loss) recognized/reclassified							
	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$585	$ 7,471	$ —		$2,077	$ 28,890	$ —	
Interest rate floors	38	264	—		221	1,950	—	
	623	7,735	—		2,298	30,840 [3]	—	
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$747				$2,198
Total derivatives designated as hedging instruments	623	7,735	—	747	2,298	30,840	—	2,198
Derivatives not designated as hedging instruments								
Interest rate swaps			181				105	
Interest rate swaps for customers [2]			(514)				813	
Energy commodity swaps for customers [2]			—				56	
Basis swaps			4				153	
Futures contracts			2,030				6,808	
Options contracts			(519)				(17)	
Total return swap			(5,337)				(5,337)	
Total derivatives not designated as hedging instruments			(4,155)				2,581	
Total derivatives	$623	$ 7,735	$ (4,155)	$747	$2,298	$ 30,840	$ 2,581	$2,198

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

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

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

[3] Amounts for the nine months ended September 30, 2012 and 2011 of $10.9 million and $30.8 million, respectively, are the amounts of reclassification to earnings presented in the tabular changes of AOCI in Note 7.

At September 30, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $5.2 million and $0.1 million in 2012, and $5.4 million and $(0.3) million in 2011, 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.

We offer to our customers interest rate swaps to assist them in managing their exposure to fluctuating interest rates. Previously, we also offered energy commodity swaps. 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. All of these contracts expired during the first quarter of 2012.
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 September 30, 2012, we estimate that an additional $5 million will be reclassified.

Total Return Swap

On July 28, 2010, we entered into a total return swap and related interest rate swaps ("TRS") with Deutsche Bank AG ("DB") relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). The transaction reduced regulatory risk-weighted assets and improved the Company's risk-based capital ratios. The transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized, and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.
The fair value of the TRS derivative liability was $5.0 million at September 30, 2012 and $5.4 million at December 31, 2011.
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 period that we are unable to cancel the transaction has shortened to and will remain at one calendar quarter. Accordingly, absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its September 30, 2012 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 September 30, 2012, 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.

39

7. DEBT AND SHAREHOLDERS' EQUITY

TARP Redemption

On September 26, 2012, we redeemed the remaining $700 million of the $1.4 billion Series D Fixed-Rate Cumulative Perpetual Preferred Stock issued to the U.S. Department of the Treasury under its Troubled Asset Relief Program ("TARP") Capital Purchase Program. The first redemption was made on March 28, 2012. The entire redemption was executed following notification from the Federal Reserve Board ("FRB") on March 13, 2012 that it did not object to the capital actions proposed in our Capital Plan submitted under the FRB's 2012 Capital Plan Review.

Among other things, our Capital Plan includes the following provisions: (1) completing the entire redemption in 2012 of our TARP preferred stock with the second $700 million redemption meeting specified conditions requiring regulatory approval, including Parent liquidity and other requirements; (2) issuing a total of $600 million in senior debt (see debt issuances and redemption following); (3) redeeming on a timely basis the Company's $254.9 million variable rate senior medium-term notes (see debt issuances and redemption following); and (4) maintaining for 2012 the current common stock dividend of $0.01 per share per quarter. See also preferred stock issuance and redemption following.

The TARP redemption accelerated the amortization to preferred stock dividends of approximately $33.5 million of unamortized discount during the nine months ended September 30, 2012. This discount was based on the fair value originally estimated for the common stock warrant associated with the TARP preferred stock issuance.

Debt Issuances and Redemption

On March 27, 2012, we issued $300 million of 4.5% senior unsecured medium-term notes at a price of 94.25%. On May 1, 2012, we issued an additional $100 million at a price of 100.249%, bringing the total to $400 million of the 4.5% notes that are due March 27, 2017. On June 20, 2012, we issued $158.45 million of 4.0% senior notes due June 20, 2016 at a price of 97.5%. On August 28, 2012, we issued an additional $20 million of these notes at a price of 100.5%, bringing the total to $178.45 million. Net of commissions, fees and discounts, the proceeds to the Company for these debt issuances were $553.4 million.

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.

During the three and nine months ended September 30, 2012, we issued long-term senior medium-term notes of $29 million and $91 million, respectively, and a short-term medium-term note of $5 million during the first quarter of 2012. The short-term note matures March 2013 and has an interest rate of 2.0%. The long-term notes mature February 2014 through September 2015 and have interest rates of 3.4% and 3.5%. During these same periods, we redeemed at maturity $7 million and $74 million of senior medium-term notes.

Subordinated Debt Conversions

During the three and nine months ended September 30, 2012, $5.4 million and $85.4 million of convertible subordinated debt was converted into depositary shares each representing a 1/40th interest in a share of the Company's preferred stock. These conversions added 84,982 shares of Series C and 370 shares of Series A to the Company's preferred stock.

For the nine months ended September 30, 2012 in connection with these conversions, the $99.9 million added to preferred stock included the transfer from common stock of $14.5 million of the intrinsic value of the beneficial conversion feature. The amount of this conversion feature was included with common stock at the time of the debt modification. The remaining balance in common stock of this conversion feature was approximately $77.3 million at September 30, 2012. Accelerated discount amortization on the converted debt increased interest expense for the three and nine months ended September 30, 2012 by $2.0 million and $30.4 million, respectively. At September 30, 2012, the balance at par of the convertible subordinated debt was $462.0 million. The five largest investor holdings totaled approximately 40% of this amount. The remaining balance of the convertible debt discount was $161.4 million at

September 30, 2012.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Preferred Stock Issuance and Redemption

On May 7, 2012, we sold $143.75 million of Series F 7.9% Fixed-Rate Non-Cumulative Perpetual Preferred Stock. The issuance was in the form of depositary shares with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. The shares are registered with the SEC and qualify as Tier 1 capital. We redeemed on the June 15, 2012 call date all $142.5 million of Series E 11% preferred stock.

Changes in Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) are summarized as follows:

(In thousands)	Net unrealized gains (losses) on investments and retained interests	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Nine Months Ended September 30, 2012:				
Balance at December 31, 2011	$ (546,763)	$ 9,404	$ (54,725)	$ (592,084)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains, net of income tax expense of $44,684	72,529			72,529
Reclassification for net losses included in earnings, net of income tax benefit of $4,199	6,428			6,428
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $9,915	(16,006)			(16,006)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $472	724			724
Net unrealized losses, net of reclassification to earnings of $10,871 and income tax benefit of $4,153		(6,329)		(6,329)
Other comprehensive income (loss)	63,675	(6,329)	—	57,346
Balance at September 30, 2012	$ (483,088)	$ 3,075	$ (54,725)	$ (534,738)
Nine Months Ended September 30, 2011:				
Balance at December 31, 2010	$ (456,264)	$ 30,702	$ (35,734)	$ (461,296)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $55,668	(90,109)			(90,109)
Reclassification for net losses included in earnings, net of income tax benefit of $4,063	6,185			6,185
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $17,058	(26,318)			(26,318)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $77	131			131
Net unrealized losses, net of reclassification to earnings of $30,840 and income tax benefit of $11,115		(17,427)		(17,427)
Other comprehensive loss	(110,111)	(17,427)	—	(127,538)
Balance at September 30, 2011	$ (566,375)	$ 13,275	$ (35,734)	$ (588,834)

8. INCOME TAXES

The income tax expense rates for the three and nine months ended September 30, 2012 were essentially the same or lower than the tax rates for the same periods in 2011 because of a decrease in the nondeductible amount of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock.

The balance of net deferred tax assets was approximately $447 million at September 30, 2012 and $509 million at December 31, 2011. We evaluate the net deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of September 30, 2012.

9. FAIR VALUE

Fair Value Measurement

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This new accounting guidance under ASC 820, Fair Value Measurement, provides convergence to IFRS and amends fair value measurement and disclosure guidance. Among other things, new disclosures are required for qualitative information and sensitivity analysis regarding Level 3 measurements. We adopted this new guidance effective January 1, 2012 as required and have incorporated it into the following disclosures.

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

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

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

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

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for AFS and trading investment securities; private equity investments; securities sold, not yet purchased; and derivatives. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as for loans held for sale, impaired loans, and OREO. Fair value is also used when evaluating impairment on certain assets, including HTM and AFS securities, goodwill, core deposit and other intangibles, long-lived assets, and for disclosures of certain financial instruments.

Level 3 Valuation Policies and Procedures

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

participate in and attend SOC meetings.

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

Utilization of Third Party Service Providers

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

For AFS Level 2 securities, we use a third party pricing service to provide pricing, if available, for securities in the following reporting categories: U.S. Treasury, agencies and corporations (except Federal Agricultural Mortgage Corporation (“FAMC”) securities); municipal securities; trust preferred – banks and insurance; and other (including ABS CDOs). At September 30, 2012, the fair value of AFS Level 2 securities for which we obtained pricing from the third party pricing service in these reporting categories amounted to approximately $1.7 billion of the $1.9 billion total of AFS Level 2 securities.

For AFS Level 3 securities, we use other third party service providers to provide pricing, if available, for securities in the following reporting categories: trust preferred – banks and insurance, trust preferred – real estate investment trusts, auction rate, and other (including ABS CDOs). At September 30, 2012, the fair value of AFS Level 3 securities for which we obtained pricing from these third party service providers in these reporting categories amounted to approximately $57 million of the $1.0 billion total of AFS Level 3 securities. In addition, the fair values for approximately $942 million at September 30, 2012 of our AFS Level 3 securities were determined utilizing a licensed internal third party model. See “Trust preferred CDO internal model” discussed subsequently.

Fair values of the remaining AFS Level 2 and Level 3 securities not valued by pricing from third party services or the licensed internal third party model were determined by us using market corroborative data. At September 30, 2012, the Level 2 securities consisted of approximately $117 million of FAMC securities and $6 million of mutual funds and stock, and the Level 3 securities consisted of $16 million of municipal securities and $29 million of ABS CDOs. Estimation of the fair values of the FAMC securities included the use of a standard mortgage pass-through calculator that incorporates discounted cash flows, while the municipal securities included the use of a standard form discounted cash flow model with certain inputs adjusted for market conditions.

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

For AFS Level 3 securities, SOC procedures call for quarterly comparisons of assumptions with other third party service providers, and with our internal models and presentation of information about market trends and trading data. This includes information regarding trading prices, implied discounts, outlier information, valuation assumptions, etc. Because of the timeliness of our involvement, the ongoing exchange of market information, and our agreement on input assumptions, we do not adjust prices from our third party service providers. The procedures discussed previously help ensure that the fair value information received was determined in accordance with applicable accounting guidance.

Available-for-Sale and Trading

AFS and trading investment securities are fair valued under Level 1 using quoted market prices when available for identical securities. When quoted prices are not available, fair values are determined under Level 2 using quoted prices for similar securities or independent pricing services that incorporate observable market data. The largest portion of AFS securities include certain CDOs backed by trust preferred securities issued by banks and insurance companies and, to a lesser extent, by REITs. These securities are fair valued primarily under Level 3.

U.S. Treasury, Agencies and Corporations

Valuation inputs under Level 2 utilized by the third party service provider are discussed previously.

Municipal Securities

Valuation inputs under Level 2 utilized by the third party service provider are discussed previously. We may also include reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue

data. Municipal securities under Level 3 are fair valued similar to the auction rate securities.
Trust Preferred Collateralized Debt Obligations
Substantially all of the CDO portfolio is fair valued using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models.
Trust preferred CDO internal model: A licensed third party cash flow model, which requires the Company to input its own key valuation assumptions, is used to estimate fair values of bank and insurance trust preferred CDOs. We utilize a statistical regression of quarterly regulatory ratios that we have identified as predictive of future bank failures to create a credit-specific probability of default ("PD") for each bank issuer. The inputs are updated quarterly to include the most recent available financial ratios and the regression formula is updated periodically to utilize those financial ratios that have best predicted bank failures during this credit cycle ("ratio-based approach"). Our ratio-based approach, while generally referencing trailing quarter regulatory data and ratios, seeks to incorporate the most recent available information.
Approximately 30% of the bank issuers are public companies included in a third party proprietary reduced form model. The model generates PDs using equity valuation-related inputs along with other macro and issuer-specific inputs. We use the higher of the PD from the third party proprietary reduced form model and the ratio-based approach. We use a floor PD of 30 basis points ("bps") for year one for collateral where the higher of the one-year PDs from our ratio based approach and those from the third party proprietary reduced form model would be lower. The short-term 30 bps PD is similar to the PD we would apply if we had direct lending exposures to CDO pool collateral. We use a floor PD of 48 bps each year from years two to five smoothing the step-up to reach a 65 bps minimum PD for year six. We utilize a minimum PD for years six to maturity of 65 bps for bank collateral.
The resulting five-year PDs at September 30, 2012 ranged from 100% for the "worst" deferring banks to 2.18% for the "best" deferring banks. The weighted average assumed loss rate on deferring collateral was 21% at September 30, 2012 and 24% at June 30, 2012. This loss rate is calculated as a percentage of the par amount of deferring collateral within a pool that is expected to default prior to the end of a five-year deferral period. The model includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO's structure to generate cash flow projections for each tranche of the CDO.
We utilize a present value technique to identify both the OTTI present in the CDO tranches and to estimate fair value. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows. We discount the credit-adjusted cash flow of each CDO tranche at a tranche-specific discount rate which reflects the risk that the actual cash flow may vary from the expected credit-adjusted cash flow for that CDO tranche. This rate is consistent with market participants' assumptions, which include market illiquidity, and is applied to credit adjusted cash flows. We follow applicable guidance on illiquid markets such that risk premiums should be reflective of an orderly transaction between market participants under current market conditions. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE® system (Trade Reporting and Compliance Engine®), we also seek information from market participants to obtain trade price information.
The discount rate assumption used for valuation purposes for each CDO tranche is derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers as well as observed trades in our CDO tranches in accordance with applicable accounting guidance. The data set generally includes one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest and observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data is generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our original A-rated tranches. The effective yields on the securities are then used to

determine a relationship between the effective yield and expected loss. Expected loss for this purpose is a measure of the variability of cash flows from the mean estimate of cash flow across all Monte Carlo simulations. This relationship is then considered along with other third party or market data in order to identify appropriate discount rates to be applied to the CDOs.

Our September 30, 2012, valuations for bank and insurance tranches utilized a discount rate range of LIBOR + 3.75% for the highest quality/most over-collateralized insurance-only tranches and LIBOR + 40.8% for the lowest credit quality tranche, which included bank collateral, in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 4.6% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche.

CDO tranches with greater uncertainty in their cash flows are discounted at rates higher than those market participants would use for tranches with more stable expected cash flows (e.g., as a result of more subordination and/or better credit quality in the underlying collateral). The high end of the discount rate spectrum was applied to tranches in which minor changes in default assumption timing produced substantial deterioration in tranche cash flows. These discount rates are applied to credit-adjusted cash flows, which constitute each tranche's expected cash flows; discount rates are not applied to a hypothetical contractual cash flow.

At September 30, 2012, the discount rates utilized for fair value purposes for tranches that include bank collateral were:

1) LIBOR + 4.6% to 10.4% and averaged LIBOR + 5.1% for first priority original AAA-rated bonds;
2) LIBOR + 4.6% to 7.3% and averaged LIBOR + 5.2% for lower priority original AAA-rated bonds;
3) LIBOR + 5.3% to 25.4% and averaged LIBOR + 15.6% for original A-rated bonds; and
4) LIBOR + 13.8% to 40.8% and averaged LIBOR + 31.5% for original BBB-rated bonds.

Accordingly, the wide difference between the effective interest rate used in the determination of the credit component of OTTI and the discount rate on the CDOs used in the determination of fair value results in the unrealized losses. The discount rate used for fair value purposes significantly exceeds the effective interest rate for the CDOs. The differences average approximately 4% for the original AAA-rated CDO tranches, 14% for the original A-rated CDO tranches, and 29% for the original BBB-rated CDO tranches. With the exception of certain of the most senior CDOs, most of the principal payments are not expected prior to the final maturity date, which is generally 2029 or later. High market discount rates and the long maturities of the CDO tranches result in full principal repayment contributing little to CDO tranche fair values.

Certain REIT and ABS CDOs are fair valued by third party services using their proprietary models. These models utilize relevant data assumptions, which we evaluate for reasonableness. These assumptions include, but are not limited to, discount rates, PDs, loss-given-default rates, over-collateralization levels, and rating transition probability matrices from rating agencies. See subsequent discussion regarding key model inputs and assumptions. The model prices obtained from third party services are evaluated for reasonableness including quarter to quarter changes in assumptions and comparison to other available data, which included third party and internal model results and valuations.

Auction Rate Securities

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

Private Equity Investments

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources. We have no unfunded commitments to these partnerships and redemption is available annually.

Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary

45

Table of Contents

on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors. Management who are familiar with the investments, including investment officers, controllers, etc., review quarterly the financial statements and other information for each investment. The Other Equity Investments Committee, consisting of the chief executive officer, the chief financial officer, and the chief investment officer, review periodically for reasonableness the financial information for these investments. This includes the review of audited financial statements which are available for nearly all of the underlying investments.

Derivatives

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

Securities Sold, Not Yet Purchased

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Quantitative Disclosure of Fair Value Measurements

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

(In thousands)	September 30, 2012			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$3,101	$1,759,720		$1,762,821
Municipal securities		97,324	$16,323	113,647
Asset-backed securities:				
Trust preferred – banks and insurance		184	965,104	965,288
Trust preferred – real estate investment trusts			15,407	15,407
Auction rate			7,113	7,113
Other (including ABS CDOs)		5,221	40,154	45,375
Mutual funds and stock	211,725	5,816		217,541
	214,826	1,868,265	1,044,101	3,127,192
Trading account		13,963		13,963
Other noninterest-bearing investments:				
Private equity		5,179	128,291	133,470
Other assets:				
Derivatives:				
Interest rate related and other		4,549		4,549
Interest rate swaps for customers		84,938		84,938
Foreign currency exchange contracts	2,525			2,525
	2,525	89,487		92,012
	$217,351	$1,976,894	$1,172,392	$3,366,637
LIABILITIES				
Securities sold, not yet purchased	$21,708			$21,708
Other liabilities:				
Derivatives:				
Interest rate related and other		1,533		1,533
Interest rate swaps for customers		90,074		90,074
Foreign currency exchange contracts	1,637			1,637
Total return swap			$5,048	5,048
	1,637	91,607	5,048	98,292
Other			128	128
	$23,345	$91,607	$5,176	$120,128

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$3,103	$1,874,010		$1,877,113
Municipal securities		104,787	$17,381	122,168
Asset-backed securities:				
Trust preferred – banks and insurance		354	929,356	929,710
Trust preferred – real estate investment trusts			18,645	18,645
Auction rate			70,020	70,020
Other (including ABS CDOs)		6,826	43,546	50,372
Mutual funds and stock	156,829	5,938		162,767
	159,932	1,991,915	1,078,948	3,230,795
Trading account		40,273		40,273
Other noninterest-bearing investments:				
Private equity		5,339	128,348	133,687
Other assets:				
Derivatives:				
Interest rate related and other		9,560		9,560
Interest rate swaps for customers		82,648		82,648
Foreign currency exchange contracts	6,498			6,498
	6,498	92,208		98,706
	$166,430	$2,129,735	$1,207,296	$3,503,461
LIABILITIES				
Securities sold, not yet purchased	$13,098	$31,388		$44,486
Other liabilities:				
Derivatives:				
Interest rate related and other		734		734
Interest rate swaps for customers		87,363		87,363
Foreign currency exchange contracts	6,046			6,046
Total return swap			$5,422	5,422
	6,046	88,097	5,422	99,565
Other			86	86
	$19,144	$119,485	$5,508	$144,137

No transfers of assets and liabilities occurred among Levels 1, 2 or 3 for the three and nine months ended September 30, 2012 and 2011.

Key Model Inputs and Assumptions

Key model unobservable input assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at September 30, 2012:

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

(Dollars in thousands)	Fair value at September 30, 2012	Valuation approach	Constant default rate (“CDR”)	Loss severity	Prepayment rate
Asset-backed securities:					
Trust preferred – predominantly banks	$811,713	Income	Pool specific [3]	100%	Pool specific [7]