ZIONS BANCORPORATION /UT/
Form 10-K
February 29, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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)	**(Internal Revenue Service Employer Identification Number)**
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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Guarantee related to 8.00% Capital Securities of Zions Capital Trust B	New York Stock Exchange
Convertible 6% Subordinated Notes due September 15, 2015	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series C 9.5% Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series E Fixed-Rate Resettable Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Warrants to Purchase Common Stock of Zions Bancorporation	The NASDAQ Stock Market LLC
Common Stock, without par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 x 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 x

Aggregate Market Value of Common Stock Held by Non-affiliates at June 30, 2011	$ 2,897,160,603
Number of Common Shares Outstanding at February 15, 2012	184,150,142 shares

Documents Incorporated by Reference:

Portions of the Company s Proxy Statement Incorporated into Part III

Table of Contents

FORM 10-K TABLE OF CONTENTS

Table of Contents

PART I

FORWARD-LOOKING INFORMATION

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

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation (the Parent) and its subsidiaries (collectively the Company, Zions, we, our, us);
- statements preceded by, followed by or that include the words may, could, should, would, believe, anticipate, estimate, ex intend, plan, projects, or similar expressions.

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

- the Company s ability to successfully execute its business plans, manage its risks, and achieve its objectives;
- changes in local, national and international political and economic conditions, including without limitation the political and economic effects of the recent economic crisis, delay of recovery from that crisis, economic conditions and fiscal imbalances in the United States and other countries, potential or actual downgrades in rating of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;
- fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- acquisitions and integration of acquired businesses;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;

changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the OCC, the Board of Governors of the Federal Reserve Board System, and the FDIC;

the Company s participation in and exit from governmental programs implemented under the EESA and the ARRA, including the TARP and CPP, and the impact of such programs and related regulations on the Company;

the impact of executive compensation rules under the Dodd-Frank Act, the EESA and the ARRA, which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;

the impact of the Dodd-Frank Act and of new international standards known as Basel III, and rules and regulations thereunder, many of which have not yet been promulgated, on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which we engage in such activities, the fees we may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;

continuing consolidation in the financial services industry;

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

success in gaining regulatory approvals, when required;

changes in consumer spending and savings habits;

increased competitive challenges and expanding product and pricing pressures among financial institutions;

inflation and deflation;

technological changes and the Company s implementation of new technologies;

the Company s ability to develop and maintain secure and reliable information technology systems;

legislation or regulatory changes which adversely affect the Company s operations or business;

the Company s ability to comply with applicable laws and regulations;

changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies; and

increased costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

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

AVAILABILITY OF INFORMATION

We also make available free of charge on our website, *www.zionsbancorporation.com*, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission.

GLOSSARY OF ACRONYMS

ABS	Asset-Backed Security
ACL	Allowance for Credit Losses
AFS	Available-for-Sale
ALCO	Asset/Liability Committee
ALLL	Allowance for Loan and Lease Losses
Amegy	Amegy Corporation
AOCI	Accumulated Other Comprehensive Income
ARRA	American Recovery and Reinvestment Act
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
BCBS	Basel Committee on Banking Supervision
BHC	Bank Holding Company Act of 1956
bps	basis points
BSA	Bank Secrecy Act
CB&T	California Bank & Trust
CDO	Collateralized Debt Obligation
CDR	Constant Default Rate
CET1	Common Equity Tier 1
CFPB	Consumer Financial Protection Bureau
CLTV	Combined Loan-to-Value Ratio
CMC	Capital Management Committee
Contango	Contango Capital Advisors, Inc.

Table of Contents

COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPP	Capital Purchase Program
CPR	Constant Prepayment Rate
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
DB	Deutsche Bank AG
DBRS	Dominion Bond Rating Service
DIF	Deposit Insurance Fund
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act
EFTA	Electronic Fund Transfer Act
ERISA	Employee Retirement Income Security Act of 1974
FAMC	Federal Agricultural Mortgage Corporation, or Farmer Mac
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation, or Freddie Mac
FICO	Fair Isaac Corporation
FinCEN	Financial Crimes Enforcement Network
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association, or Fannie Mae
FRB	Federal Reserve Board
FSOC	Financial Stability Oversight Council
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GLB	Gramm-Leach-Bliley Act of 1999
HECL	Home Equity Credit Line
HMO	Health Maintenance Organization
HTM	Held-to-Maturity
IA	Indemnification Asset
IFRS	International Financial Reporting Standards
ISDA	International Swap Dealer Association
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
Lockhart	Lockhart Funding LLC
MD&A	Management s Discussion and Analysis
NASDAQ	NASDAQ Stock Market LLC
NBA	National Bank of Arizona
NIM	Net Interest Margin
NOW	Negotiable Order of Withdrawal
NRSRO	Nationally Recognized Statistical Rating Organization
NSB	Nevada State Bank
NSFR	Net Stable Funding Ratio
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income
OREO	Other Real Estate Owned
OTC	Over-the-Counter
OTTI	Other-Than-Temporary-Impairment
Parent	Zions Bancorporation
PCAOB	Public Company Accounting Oversight Board
PD	Probability of Default
PIK	Payment in Kind
QSPE	Qualifying Special-Purpose Entity
REIT	Real Estate Investment Trust
RMBS	Residential Mortgage Backed Securities

RSU	Restricted Stock Unit
RULC	Reserve for Unfunded Lending Commitments
S&P	Standard and Poor s
SBA	Small Business Administration
SBIC	Small Business Investment Company
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SIFI	Systemically Important Financial Institution
SSU	Salary Stock Unit
TARP	Troubled Asset Relief Program
TCBO	The Commerce Bank of Oregon
TCBW	The Commerce Bank of Washington
TDR	Troubled Debt Restructuring
TRS	Total Return Swap
Vectra	Vectra Bank Colorado
VIE	Variable Interest Entity
WNTC	Western National Trust Company
ZCTB	Zions Capital Trust B
Zions Bank	Zions First National Bank
ZMSC	Zions Management Services Company

Table of Contents

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Zions Bancorporation (the Parent) is a financial holding company organized under the laws of the State of Utah in 1955, and registered under the BHC Act, as amended. The Parent and its subsidiaries (collectively the Company) own and operate eight commercial banks with a total of 486 domestic branches at year-end 2011. The Company provides a full range of banking and related services through its banking and other subsidiaries, primarily in Utah, California, Texas, Arizona, Nevada, Colorado, Idaho, Washington, and Oregon. Full-time equivalent employees totaled 10,606 at year-end 2011. For further information about the Company s industry segments, see Business Segment Results on page 47 in MD&A and Note 22 of the Notes to Consolidated Financial Statements. For information about the Company s foreign operations, see Foreign Operations on page 46 in MD&A. The Executive Summary on page 23 in MD&A provides further information about the Company.

PRODUCTS AND SERVICES

The Company focuses on providing community banking services by continuously strengthening its core business lines of 1) small and medium-sized business and corporate banking; 2) commercial and residential development, construction and term lending; 3) retail banking; 4) treasury cash management and related products and services; 5) residential mortgage; 6) trust and wealth management; and 7) investment activities. It operates eight different banks in ten Western and Southwestern states with each bank operating under a different name and each having its own board of directors, chief executive officer, and management team. The banks provide a wide variety of commercial and retail banking and mortgage lending products and services. They also provide a wide range of personal banking services to individuals, including home mortgages, bankcard, other installment loans, home equity lines of credit, checking accounts, savings accounts, time certificates of deposits of various types and maturities, trust services, safe deposit facilities, direct deposit, and 24-hour ATM access. In addition, certain banking subsidiaries provide services to key market segments through their Women s Financial, Private Client Services, and Executive Banking Groups. We also offer wealth management services through various subsidiaries, including Contango and Western National Trust Company, and online and traditional brokerage services through Zions Direct and Amegy Investments.

In addition to these core businesses, the Company has built specialized lines of business in capital markets and public finance, and is a leader in SBA lending. Through its eight banking subsidiaries, the Company provides SBA 7(a) loans to small businesses throughout the United States and is also one of the largest providers of SBA 504 financing in the nation. The Company owns an equity interest in Farmer Mac and is one of the nation s top originators of secondary market agricultural real estate mortgage loans through Farmer Mac. The Company is a leader in municipal finance advisory and underwriting services.

COMPETITION

The Company operates in a highly competitive environment. The Company s most direct competition for loans and deposits comes from other commercial banks, credit unions, and thrifts, including institutions that do not have a physical presence in our market footprint but solicit via the Internet and other means. In addition, the Company competes with finance companies, mutual funds, brokerage firms, securities dealers, investment banking companies, and a variety of other types of companies. Many of these companies have fewer regulatory constraints and some have lower cost structures or tax burdens.

The primary factors in competing for business include pricing, convenience of office locations and other delivery methods, range of products offered, and the level of service delivered. The Company must compete effectively along all of these parameters to remain successful.

Table of Contents

SUPERVISION AND REGULATION

The banking and financial services business in which we engage is highly regulated. Such regulation is intended, among other things, to improve the stability of banking and financial companies and to protect the interests of customers, including depositors. These regulations are not, however, generally intended to protect the interests of our shareholders or creditors. Described below are the material elements of selected laws and regulations applicable to the Company. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable law or regulations, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business and results of the Company.

The Parent is a bank holding company and a financial holding company as provided by the GLB Act. The BHC Act and other federal statutes, as modified by the GLB Act and the Dodd-Frank Act, provide the regulatory framework for bank holding companies and financial holding companies which have as their umbrella regulator the FRB. The functional regulation of the separately regulated subsidiaries of a bank holding company is conducted by each subsidiary s primary functional regulator and the laws and regulations administered by those regulators. The GLB Act allows our bank subsidiaries to engage in certain financial activities through financial subsidiaries. To qualify for and maintain status as a financial holding company, or to do business through a financial subsidiary, the Parent and its subsidiary banks must satisfy certain ongoing criteria. The Company currently engages in only limited activities for which financial holding company status is required.

The Parent s subsidiary banks and WNTC are subject to the provisions of the National Bank Act or other statutes governing national banks and the banking laws of their various states, as well as the rules and regulations of the OCC, the FRB and the FDIC. They are also under the supervision of, and are continually subject to periodic examination and supervision by, the OCC or their respective state banking departments, the FRB, and the FDIC. Many of our nonbank subsidiaries are also subject to regulation by the FRB and other federal and state agencies. These bank regulatory agencies may exert considerable influence over our activities through their supervisory and examination role. Our brokerage and investment advisory subsidiaries are regulated by the SEC, FINRA and/or state securities regulators.

The Dodd-Frank Act

The events of the past few years have led to numerous new laws in the United States and internationally for financial institutions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or Dodd-Frank), which was enacted in July 2010, is one of the most far reaching legislative actions affecting the financial services industry in decades and significantly restructures the financial regulatory regime in the United States.

The Dodd-Frank Act broadly affects the financial services industry by creating new resolution authorities, requiring ongoing stress testing of our capital, mandating higher capital and liquidity requirements, increasing regulation of executive and incentive-based compensation, requiring banks to pay increased fees to regulatory agencies, and requiring numerous other provisions aimed at strengthening the sound operation of the financial services sector. Among other things affecting capital standards, the Dodd-Frank Act provides that:

- the requirements applicable to large bank holding companies (those with consolidated assets of greater than $50 billion) be more stringent than those applicable to other financial companies;

- standards applicable to bank holding companies be no less stringent than those applied to insured depository institutions; and

- bank regulatory agencies implement countercyclical elements in their capital requirements.

These provisions will require us to maintain greater levels of capital and liquid assets and will limit the forms of capital that we will be able to rely upon for regulatory purposes. For example, provisions of the Dodd-

Table of Contents

Frank Act require us to deduct all trust preferred securities from our Tier 1 capital over a three-year phase-in period beginning January 1, 2013. In addition, in their supervisory role with respect to our stress testing and capital planning, the bank regulatory agencies may effectively regulate certain of our capital-related actions, such as dividends and stock repurchases.

The Dodd-Frank Act s provisions and related regulations also affect the fees we must pay to regulatory agencies and pricing of certain products and services, including the following:

- The assessment base for federal deposit insurance was changed to consolidated assets less tangible capital instead of the amount of insured deposits. This generally increased the insurance fees of larger banks, but had relatively less impact on the Company;

- The federal prohibition on the payment of interest on business transaction accounts was repealed effective December 31, 2010; and

- Effective October 1, 2011, the FRB enacted regulations to limit interchange fees charged for debit card transactions to no more than 21 cents per transaction and 5 basis points multiplied by the value of the transaction, which is slightly less than half the generally prevailing fee prior to the regulation.

The Dodd-Frank Act also created the CFPB, which is responsible for promulgating regulations designed to protect consumers financial interests and examining financial institutions for compliance with, and enforcing, those regulations. The Dodd-Frank Act adds prohibitions on unfair, deceptive or abusive acts and practices to the scope of consumer protection regulations overseen and enforced by the CFPB. The CFPB was recently established and its impact on our subsidiary banks remains uncertain. The Dodd-Frank Act subjected national banks to further regulation by restricting the preemption of state laws by federal laws, which enabled national banks and their subsidiaries to comply with federal regulatory requirements without complying with various state laws. In addition, the Act gives greater power to state attorneys general to pursue legal actions against banking organizations for violations of federal law.

The Dodd-Frank Act contains numerous provisions that limit or place significant burdens and costs on activities traditionally conducted by banking organizations, such as originating and securitizing mortgage loans and other financial assets, arranging and participating in swap and derivative transactions, proprietary trading and investing in private equity and other funds. For the affected activities, these provisions may result in increased compliance and other costs, increased legal risk and decreased scope of product offerings.

In October 2011 and January 2012, federal regulators published for comment proposed regulations to implement the so-called Volcker Rule of the Dodd-Frank Act, which would significantly restrict certain activities by covered bank holding companies, including restrictions on proprietary trading and private equity investing. The public comment period on these proposed regulations has ended, but a final rule has not yet been published.

The Company and other companies subject to the Dodd-Frank Act is being subjected to a number of requirements regarding the time, manner and form of compensation given to its key executives and other personnel receiving incentive compensation, which are being imposed through the supervisory process as well as published guidance and proposed rules. These requirements generally implement the compensation restrictions imposed by the Dodd-Frank Act and include documentation and governance, deferral, and claw-back requirements.

As discussed further throughout this section, many aspects of Dodd-Frank are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company or the industry. More than half of the total regulations to implement the Dodd-Frank Act have not yet been published for comment or adopted in final form.

Individually and collectively, these proposed regulations resulting from the Dodd-Frank Act may materially adversely affect the Company s business, financial condition, and results of operations.

Table of Contents

Capital Standards Basel Framework

The FRB has established capital guidelines for financial holding companies. The OCC, the FDIC, and the FRB have also issued regulations establishing capital requirements for banks. These bank regulatory agencies risk-based capital guidelines are based upon the 1988 capital accord (Basel I) of the BCBS. The BCBS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country s supervisors can use to determine the supervisory policies they apply.

In 2004, the BCBS proposed a new capital accord (Basel II) to replace Basel I. Basel II provides two approaches for setting capital standards for credit risk an advanced internal ratings-based approach tailored to individual institutions circumstances and a standardized approach that bases risk weightings on external credit assessments to a much greater extent than permitted in existing guidelines. Basel II also sets capital requirements for operational risk and refines the existing capital requirements for market risk exposures.

In December 2007, U.S. banking regulators published the final rule for Basel II implementation, requiring banks with over $250 billion in consolidated total assets or on-balance sheet foreign exposure of $10 billion (core banks) to adopt the advanced approaches of Basel II while allowing other banks to elect to opt in. The Parent is not required to comply with Basel II. In July 2008, the agencies issued a proposed rule that would give banking organizations that do not use the advanced approaches the option to implement a new risk-based capital framework which would adopt the standardized approach of Basel II for credit risk, the basic indicator approach of Basel II for operational risk and related disclosure requirements. A definitive rule has not been issued.

In December 2010, the BCBS released its final framework for strengthening international capital and liquidity regulation, now officially identified by the BCBS as Basel III . Basel III, when implemented by the U.S. banking agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. The Basel III final capital framework, among other things:

- introduces as a new capital measure, Common Equity Tier 1 (CET1), more commonly known in the United States as Tier 1 Common, and defines CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and expands the scope of the adjustments as compared to existing regulations;

- when fully phased in on January 1, 2019, requires banks to maintain:

  - as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% capital conservation buffer (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7%);

  - an additional SIFI buffer for those large institutions deemed to be systemically important, ranging from 1.0% to 2.5%, and up to 3.5% under certain conditions; Zions is not subject to this buffer under Basel III, however, some FRB officials have indicated that when U. S. implementing regulations are proposed, they may include an additional buffer of 0% to 1.0% for financial institutions defined as systemically important under the Dodd-Frank Act but not so deemed by the BCBS;

  - a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);

  - a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation); and

9

Table of Contents

as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter); and

provides for an additional countercyclical capital buffer , generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, that would be a CET1 add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented.

The implementation of the Basel III final framework is expected to commence January 1, 2013; however, the FRB has not yet released proposed regulations to implement the Basel III capital framework in the United States. Such proposed regulations are expected in the first half of 2012.

Stress Testing, Prudential Standards, and Early Remediation

In November 2011, the Company was given instructions requiring its participation in the FRB s 2012 Comprehensive Capital Analysis and Review, which implemented the Dodd-Frank Act requirement that all bank holding companies with assets greater than $50 billion be subject to an annual FRB stress test. The Company timely submitted its Capital Plan, pursuant to this process, on January 9, 2012. In this capital plan, the Company was required to forecast under a variety of economic scenarios for nine quarters ending the fourth quarter of 2013, its estimated regulatory capital ratios under Basel I rules, its Tier 1 common ratio under Basel I rules, the same ratios under Basel III rules, and its GAAP tangible common equity ratio; as noted, implementing regulations that define how many of these ratios are to be calculated by U.S. institutions have not been published for comment or adopted. Under the implementing regulations, a bank holding company may generally pay dividends and repurchase stock only under a capital plan as to which the FRB has not objected.

In December 2011, the FRB published new proposed regulations entitled Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies, which if adopted also would apply to all bank holding companies with assets greater than $50 billion. The comment period on these proposed regulations expires March 31, 2012. These proposed regulations would implement many of the proposed aspects of the Basel III capital and liquidity regime and the Dodd-Frank Act stress test requirements (including public disclosure of results), and would specify conditions under which a bank holding company would be placed under enhanced nonpublic or public supervision and restrictions. However, the proposed regulations did not specify how Basel III capital ratio calculations will be defined in the United States. The proposed regulations would also require each covered institution to establish a risk committee of its board of directors that would include a risk expert .

Other Regulation

The Company is subject to a wide range of other requirements and restrictions contained in both the laws of the United States and the states in which its banks and other subsidiaries operate. These regulations include but are not limited to the following:

Requirements that the Parent serve as a source of strength for its banking subsidiaries. The FRB has had a policy that a bank holding company is expected to act as a source of financial and managerial strength to each of its bank subsidiaries and, under appropriate circumstances, to commit resources to support each subsidiary bank. The Dodd-Frank Act codifies this policy as a statutory requirement. In addition, the OCC may order an assessment of the Parent if the capital of one of its national bank subsidiaries were to fall below capital levels required by the regulators.

Limitations on dividends payable by subsidiaries. A substantial portion of the Parent s cash, which is used to pay dividends on our common and preferred stock and to pay principal and interest on our debt obligations, is derived from dividends paid by the Parent s subsidiary banks. These dividends are subject to various legal and regulatory restrictions. See Note 19 of the Notes to Consolidated Financial Statements.

Table of Contents

Limitations on dividends payable to shareholders. The Parent s ability to pay dividends on both its common and preferred stock may be subject to regulatory restrictions. See Liquidity Management Actions on page 85.

Cross-guarantee requirements. All of the Parent s subsidiary banks are insured by the FDIC. Each commonly controlled FDIC-insured bank can be held liable for any losses incurred, or reasonably expected to be incurred, by the FDIC due to another commonly controlled FDIC-insured bank being placed into receivership, and for any assistance provided by the FDIC to another commonly controlled FDIC-insured bank that is subject to certain conditions indicating that receivership is likely to occur in the absence of regulatory assistance.

Safety and soundness requirements. Federal and state laws require that our banks be operated in a safe and sound manner. We are subject to additional safety and soundness standards prescribed in the Federal Deposit Insurance Corporate Improvement Act of 1991, including standards related to internal controls, information systems, internal audit, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, as well as other operational and management standards deemed appropriate by the federal banking agencies. The safety and soundness requirements give bank regulatory agencies significant latitude in their supervisory authority over us.

Requirements for approval of acquisitions and activities. Prior approval of the FRB is required under the BHC Act for a financial holding company to acquire or hold more than a 5% voting interest in any bank, to acquire substantially all the assets of a bank or to merge with another financial or bank holding company. The BHC Act also requires approval for certain nonbanking acquisitions and restricts the Company s nonbanking activities to those that are permitted for financial holding companies or that have been determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. Laws and regulations governing national and state-chartered banks contain similar provisions concerning acquisitions and activities.

Limitations on the amount of loans to a borrower and its affiliates.

Limitations on transactions with affiliates. The Dodd-Frank Act significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization.

Restrictions on the nature and amount of any investments and ability to underwrite certain securities.

Requirements for opening of branches and the acquisition of other financial entities.

Fair lending and truth in lending requirements to provide equal access to credit and to protect consumers in credit transactions.

Broker-dealer and investment advisory regulations. Certain of our subsidiaries are broker-dealers that engage in securities underwriting and other broker-dealer activities. These companies are registered with the SEC and are members of FINRA. Certain other subsidiaries are registered investment advisers under the Investment Advisers Act of 1940, as amended, and as such are supervised by the SEC. They are also subject to various U.S. federal and state laws and regulations. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws.

Provisions of the GLB Act and other federal and state laws dealing with privacy for nonpublic personal information of individual customers.

CRA requirements. The CRA requires banks to help serve the credit needs in their communities, including credit to low and moderate income individuals. If the Company or its subsidiaries fail to adequately serve their communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions.

Table of Contents

Anti-money laundering regulations. The BSA, Title III of the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act), and other federal laws require financial institutions to assist U.S. Government agencies in detecting and preventing money laundering and other illegal acts by maintaining policies, procedures and controls designed to detect and report money laundering, terrorist financing, and other suspicious activity.

The Parent is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. As a company listed on the NASDAQ Global Select Market, the Parent is subject to NASDAQ listing standards for quoted companies.

The Company is subject to the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, and other federal and state laws and regulations which address, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. NASDAQ has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

The Board of Directors of the Parent has implemented a comprehensive system of corporate governance practices. This system includes Corporate Governance Guidelines, a Code of Business Conduct and Ethics for Employees, a Directors Code of Conduct, a Related Party Transaction Policy, Stock Ownership and Retention Guidelines, an Excessive and Luxury Expenditure Policy, a Compensation Clawback Policy and charters for the Audit, Risk Oversight, Executive Compensation and Nominating and Corporate Governance Committees. More information on the Company s corporate governance practices is available on the Company s website at *www.zionsbancorporation.com*. (The Company s website is not part of this Annual Report on Form 10-K.)

The Company has adopted policies, procedures and controls to address compliance with the requirements of the banking, securities and other laws and regulations described above or otherwise applicable to the Company. The Company intends to make appropriate revisions to reflect any changes required.

Regulators, Congress, state legislatures and international consultative bodies continue to enact rules, laws, and policies to regulate the financial services industry and public companies and to protect consumers and investors. The nature of these laws and regulations and the effect of such policies on future business and earnings of the Company cannot be predicted.

GOVERNMENT MONETARY POLICIES

The earnings and business of the Company are affected not only by general economic conditions, but also by policies adopted by various governmental authorities. The Company is particularly affected by the monetary policies of the FRB, which affect both short-term and long-term interest rates and the national supply of bank credit. The tools available to the FRB which may be used to implement monetary policy include:

- open-market operations in U.S. Government and other securities;
- adjustment of the discount rates or cost of bank borrowings from the FRB;
- imposing or changing reserve requirements against bank deposits;
- term auction facilities collateralized by bank loans; and
- other programs to purchase assets and inject liquidity directly in various segments of the economy.

These methods are used in varying combinations to influence the overall growth or contraction of bank loans, investments and deposits, and the interest rates charged on loans or paid for deposits.

In view of the changing conditions in the economy and the effect of the FRB s monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Company. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

ITEM 1A. RISK FACTORS

The Company s Board of Directors has established a Risk Oversight Committee and an Enterprise Risk Management policy and has appointed an Enterprise Risk Management Committee to oversee and implement the policy. In addition to credit and interest rate risk, the Committee also monitors the following risk areas: market risk, liquidity risk, operational risk, compliance risk, information technology risk, strategic risk, compensation-related risk, and reputation risk.

The following list describes several risk factors which are significant to the Company including but not limited to:

The Company has been and could continue to be negatively affected by adverse economic conditions.

The United States and many other countries recently faced a severe economic crisis, including a major recession. These adverse economic conditions have negatively affected, and are likely to continue for some time to adversely affect, the Company s assets, including its loans and securities portfolios, capital levels, results of operations, and financial condition. In response to the economic crisis, the United States and other governments established a variety of programs and policies designed to mitigate the effects of the crisis. These programs and policies appear to have stabilized in the United States the severe financial crisis that occurred in the second half of 2008, but adverse economic conditions continue to exist in the United States and globally. Concerns about the European Union s sovereign debt crisis have continued to cause uncertainty for financial markets globally. It is possible economic conditions may again become more severe or that adverse economic conditions may continue for a substantial period of time. In addition, economic uncertainty resulting from possible changes in the ratings of sovereign debt issued by the United States and other nations, and fiscal imbalances in the United States, at federal, state and municipal levels, in the European Union and in other countries, combined with political difficulties in resolving these imbalances, may directly or indirectly adversely impact economic conditions faced by the Company and its customers. Any increase in the severity or duration of adverse economic conditions, including a double-dip recession or delay a full economic recovery, would adversely affect the Company.

Our information systems may experience an interruption or security breach.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

The regulation of incentive compensation under the Dodd-Frank Act, the EESA and the ARRA may adversely affect our ability to retain our highest performing employees.

The bank regulatory agencies have published guidance and proposed regulations which limit the manner and amount of compensation that banking organizations provide to employees. These regulations and guidance may adversely affect our ability to retain key personnel. In addition, because we have not yet repurchased the

Table of Contents

U.S. Treasury s CPP investment, we remain subject to the strict restrictions on incentive compensation contained in the ARRA. Financial institutions which have repurchased the U.S. Treasury s CPP investment are relieved of the restrictions imposed by the ARRA. Due to these restrictions, we may not be able to successfully compete with financial institutions that have repurchased the U.S. Treasury s investment to attract, retain and appropriately incentivize high performing employees. In addition, bank regulatory agencies have published guidance and proposed regulations which limit the manner and amount of compensation that banking organizations provide to employees. If we were to suffer such adverse effects with respect to our employees, our business, financial condition and results of operations could be adversely affected, perhaps materially.

Stress testing and capital management under Dodd-Frank, as well as the terms of the U.S. Treasury s CPP investment limit our ability to increase dividends, repurchase shares of our stock, and access the capital markets.

Under emerging stress testing and capital management standards being developed by bank regulatory agencies under Dodd-Frank, as well as the terms of the U.S. Treasury s CPP investment in us, the bank regulatory agencies have additional authority and processes to require us to limit our dividends, repurchases of common stock, and access to capital markets for certain types of capital. Among other things, any increase in quarterly dividends not contemplated in our annual capital plan will require FRB approval. These limitations may adversely impact the Company s ability to attract nongovernmental capital.

We have been unprofitable in two of the last three years and could potentially be unprofitable in the future, and such lack of profitability could have particular adverse effects on us, such as restricting our ability to pay dividends or requiring a valuation allowance against our deferred tax asset.

We are a holding company that conducts substantially all of its operations through its banking and other subsidiaries. As a result, our ability to make dividend payments on our common stock will depend primarily upon the receipt of dividends and other distributions from our subsidiaries. We and certain of our subsidiaries have been unprofitable during the two of the last three annual reporting periods. During the last three years, the noncash accelerated discount amortization expense caused by subordinated debt holders converting their debt to preferred stock has contributed to our lack of profitability. Future conversions of subordinated debt into preferred stock may continue to hurt our profitability. The ability of the Company and our subsidiary banks to pay dividends is restricted by regulatory requirements, including profitability and the need to maintain required levels of capital. Lack of profitability exposes us to the risk that regulators could restrict the ability of our subsidiary banks to pay dividends and our ability to declare and pay dividends on our common stock, preferred stock or trust preferred securities. It also increases the risk that the Company may have to establish a valuation allowance against its net DTA. Some of the Company s subsidiary banks have disallowed a portion of their DTA for regulatory capital purposes.

The Dodd-Frank Act imposes significant new limitations on our business activities and subjects us to increased regulation and additional costs.

The Dodd-Frank Act has material implications for the Company and the entire financial services industry. The Act places significant additional regulatory oversight and requirements on financial institutions, including the Company, with more than $50 billion of assets. In addition, among other things, the Act will or potentially could:

- Affect the levels of capital and liquidity with which the Company must operate and how it plans capital and liquidity levels (including a phased-in elimination of the Company s existing trust preferred securities as Tier 1 capital);

- Subject the Company to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;

- Impact the Company s ability to invest in certain types of entities or engage in certain activities;

Table of Contents

Impact a number of the Company s business and risk management strategies;

Regulate the pricing of certain of our products and services and restrict the revenue that the Company generates from certain businesses;

Subject the Company to new capital planning actions, including stress testing or similar actions and timing expectations for capital-raising;

Subject the Company to the Consumer Financial Protection Bureau, with very broad rule-making and enforcement authorities;

Grant authority to state agencies to enforce state and federal laws against national banks;

Subject the Company to new and different litigation and regulatory enforcement risks; and

Limit the amount and manner of compensation paid to executive officers and employees generally.

Because the responsible agencies are still in the process of proposing and finalizing regulations required under Dodd-Frank, the full impact of this legislation on the Company, its business strategies, and financial performance cannot be known at this time, and may not be known for some time. Individually and collectively, these proposed regulations resulting from the Dodd-Frank Act may materially adversely affect the Company s business, financial condition, and results of operations.

U.S. regulatory agencies, in response to the adoption of Basel III and Title I of the Dodd-Frank Act, will require us to raise our capital and liquidity to levels that may exceed those that the market considers to be optimal.

Basel III was adopted in December 2010 by the BCBS and provides an international framework for the establishment of bank capital standards. Title I of the Dodd-Frank Act requires that banking organizations of our size undergo regular stress testing of their capital, assets and profitability and authorizes bank regulatory agencies to promulgate new capital and liquidity standards. New capital and liquidity requirements are being developed by U.S. regulatory agencies in response to Basel III and Dodd-Frank which are higher than previous levels. Maintaining higher capital and liquidity levels may reduce our profitability and performance measures.

Economic and other circumstances, including pressure to repay CPP preferred stock, may require us to raise capital at times or in amounts that are unfavorable to the Company.

The Company s subsidiary banks must maintain certain risk-based and leverage capital ratios as required by their banking regulators which can change depending upon general economic conditions and their particular condition, risk profile and growth plans. Compliance with capital requirements may limit the Company s ability to expand and has required, and may require, capital investment from the Parent. In 2008, we issued shares of preferred stock and a warrant to purchase shares of the Company s common stock to the U.S. Treasury for $1.4 billion under TARP. There may be increasing market, regulatory or political pressure on the Company to raise capital to enable it to repay the preferred stock issued to the U.S. Treasury under TARP at a time or in amounts that may be unfavorable to the Company s shareholders. These uncertainties and risks created by the legislative and regulatory uncertainties discussed above may themselves increase the Company s cost of capital and other financing costs.

Negative perceptions associated with our continued participation in the U.S. Treasury s CPP may adversely affect our ability to retain customers, attract investors, and compete for new business opportunities.

Several financial institutions that also participated in the CPP have repurchased their TARP preferred stock. There can be no assurance as to the timing or manner in which the Company may repurchase its Series D Preferred Stock from the U.S. Treasury. Our customers, employees and counterparties in our current and future business relationships could draw negative implications regarding the strength of the Company as a financial institution based on our continued participation in the CPP. Any such negative perceptions could impair our

ability to effectively compete with other financial institutions for business or to retain high performing employees. If this were to occur, our business, financial condition, and results of operations may be adversely affected.

Credit quality has adversely affected us and may continue to adversely affect us.

Credit risk is one of our most significant risks. Although most credit quality indicators continued to improve during 2011, the Company s credit quality may continue to show weakness in some loan types and markets in which the Company operates in 2012 as the economic recovery progresses.

Failure to effectively manage our credit concentration or counterparty risk could adversely affect us.

Increases in concentration or counterparty risk could adversely affect the Company. Concentration risk across our loan and investment portfolios could pose significant additional credit risk to the Company due to exposures which perform in a similar fashion. The management of concentration risk is centralized and overseen by the Corporate Concentration Risk Committee, which routinely analyzes aggregate exposure, industries, and correlations. Counterparty risk could also pose additional credit risk, but it is routinely monitored and analyzed.

Weakness in the economy and in the real estate market, including specific weakness within the markets where our subsidiary banks do business and within certain of our loan products, has adversely affected us and may continue to adversely affect us.

Credit exposure is one of our most significant risks. The Company s level of problem credits remained relatively high as of December 31, 2011. The deterioration in credit quality that started in the latter half of 2007 has most significantly affected the construction and land development segment of our portfolio. Although virtually all of our markets and lending segments have been adversely affected by the economic recession, the distress has been mostly concentrated in construction and land development loans in the Southwest states (generally, Arizona, California, and Nevada), which markets have been particularly adversely affected by job losses, declines in residential and commercial sale volumes and real estate values, and declines in new construction activity.

If the strength of the U.S. economy in general and the strength of the local economies in which we and our subsidiary banks conduct operations decline further, this could result in, among other things, further deterioration in credit quality and/or continued reduced demand for credit, including a resultant adverse effect on the income from our loan portfolio, an increase in charge-offs and an increase in the allowance for loan and lease losses; if such developments occur, we may be required to raise additional capital.

Failure to effectively manage our interest rate risk, and prolonged periods of low interest rates, could adversely affect us.

Net interest income is the largest component of the Company s revenue. The management of interest rate risk for the Company and all bank subsidiaries is centralized and overseen by an Asset Liability Management Committee appointed by the Company s Board of Directors. We have been successful in our interest rate risk management as evidenced by achieving a relatively stable net interest margin over the last several years when interest rates have been volatile and the rate environment challenging; however, a failure to effectively manage our interest rate risk could adversely affect us. Factors beyond the Company s control can significantly influence the interest rate environment and increase the Company s risk. These factors include competitive pricing pressures for our loans and deposits, adverse shifts in the mix of deposits and other funding sources, and volatile market interest rates subject to general economic conditions and the policies of governmental and regulatory agencies, in particular the FRB.

The FRB has stated its expectations that short-term interest rates may remain low through late 2014. Such a scenario may continue to create or exacerbate margin compression for us as a result of repricing of longer-term loans.

Our ability to maintain required capital levels and adequate sources of funding and liquidity has been and may continue to be adversely affected by market conditions.

We are required to maintain certain capital levels in accordance with banking regulations and any capital requirements imposed by our regulators. We must also maintain adequate funding sources in the normal course of business to support our operations and fund outstanding liabilities. Our ability to maintain capital levels, sources of funding, and liquidity has been and could continue to be impacted by changes in the capital markets in which we operate and deteriorating economic and market conditions.

Each of our subsidiary banks must remain well-capitalized and meet certain other requirements for us to retain our status as a financial holding company. Failure to comply with those requirements could result in a loss of our financial holding company status if such conditions are not corrected within 180 days or such longer period as may be permitted by the FRB, although we do not believe that the loss of such status would have an appreciable effect on our operations or financial results. In addition, failure by our bank subsidiaries to meet applicable capital guidelines or to satisfy certain other regulatory requirements can result in certain activity restrictions or a variety of enforcement remedies available to the federal regulatory authorities that include limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital and the termination of deposit insurance by the FDIC.

Funding availability continued to improve during 2011. However, because liquidity stresses are often a consequence of the occurrence of other risks, they will continue to be a risk factor in 2012 and beyond for the Company, the Parent and its affiliate banks.

The quality and liquidity of our asset-backed investment securities portfolio has adversely affected us and may continue to adversely affect us.

The Company s asset-backed investment securities portfolio includes CDOs collateralized by trust preferred securities issued by bank holding companies, insurance companies, and REITs that may have some exposure to construction loan, commercial real estate, and the subprime markets and/or to other categories of distressed assets. In addition, asset-backed securities also include structured asset-backed CDOs (also known as diversified structured finance CDOs) which have exposure to subprime and home equity mortgage securitizations. Factors beyond the Company s control can significantly influence the fair value and impairment status of these securities. These factors include, but are not limited to, defaults, deferrals, and restructurings by debt issuers, rating agency downgrades of securities, lack of market pricing of securities, or the return of market pricing that varies from the Company s current model valuations, and changes in prepayment rates and future interest rates. See Investment Securities Portfolio on page 52 for further details.

We and/or the holders of our securities could be adversely affected by unfavorable rating actions from rating agencies.

Our ability to access the capital markets is important to our overall funding profile. This access is affected by the ratings assigned by rating agencies to us, certain of our affiliates, and particular classes of securities that we and our affiliates issue. The interest rates that we pay on our securities are also influenced by, among other things, the credit ratings that we, our affiliates, and/or our securities receive from recognized rating agencies. In the past, rating agencies have downgraded our credit ratings. Further downgrades to us, our affiliates, or our securities could increase our costs or otherwise have a negative effect on our results of operations or financial condition or the market prices of our securities.

We could be adversely affected by accounting, financial reporting, and regulatory and compliance risk.

The Company is exposed to accounting, financial reporting, and regulatory/compliance risk. The level of regulatory/compliance oversight has been heightened in recent periods as a result of rapid changes in regulations that affect financial institutions. The administration of some of these regulations and related changes has required the Company to comply before their formal adoption.

Table of Contents

The Company provides to its customers, and uses for its own capital, funding, and risk management needs, a number of complex financial products and services. Estimates, judgments, and interpretations of complex and changing accounting and regulatory policies are required in order to provide and account for these products and services. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and conditions. Identification, interpretation and implementation of complex and changing accounting standards as well as compliance with regulatory requirements, therefore pose an ongoing risk.

We could be adversely affected by legal and governmental proceedings.

The Company is subject to risks associated with legal claims, fines, litigation, and regulatory proceedings. The Company s exposure to these proceedings has increased and may further increase as a result of stresses on customers, counterparties and others arising from the current economic environment; new regulations promulgated under recently adopted statutes; and the creation of new examination and enforcement bodies.

We could be adversely affected by failure in our internal controls.

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of the Company. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with complex accounting standards and regulations.

We could be adversely affected as a result of acquisitions.

From time to time the Company makes acquisitions including the acquisition of assets and liabilities of failed banks from the FDIC acting as a receiver. The FDIC-supported transactions are subject to loan loss sharing agreements. Failure to comply with the terms of the agreements could result in the loss of indemnification from the FDIC. The success of any acquisition depends, in part, on our ability to realize the projected cost savings from the acquisition and on the continued growth and profitability of the acquisition target. We have been successful with most prior acquisitions, but it is possible that the merger integration process with an acquired company could result in the loss of key employees, disruptions in controls, procedures and policies, or other factors that could affect our ability to realize the projected savings and successfully retain and grow the target s customer base.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments that were received from the SEC s staff 180 days or more before the end of the Company s fiscal year relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

At December 31, 2011, the Company operated 486 domestic branches, of which 284 are owned and 202 are leased. The Company also leases its headquarters offices in Salt Lake City, Utah. Other operations facilities are either owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance, and taxes. For additional information regarding leases and rental payments, see Note 18 of the Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 18 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

None.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company s common stock is traded on the NASDAQ Global Select Market under the symbol ZION. The last reported sale price of the common stock on NASDAQ on February 15, 2012 was $18.51 per share.

The following table sets forth, for the periods indicated, the high and low sale prices of the Company s common stock, as quoted on NASDAQ.

	2011		2010	
	High	Low	High	Low
1st Quarter	$ 25.60	$ 22.08	$ 23.85	$ 12.88
2nd Quarter	24.92	21.36	30.29	21.22
3rd Quarter	24.71	14.07	24.39	17.91
4th Quarter	18.51	13.18	24.58	18.84

During 2011, the Company issued $25.5 million of new common stock consisting of 1.1 million shares at an average price of $23.89 per share. Net of commissions and fees, the issuances added $25.0 million to common stock. See Note 14 of the Notes to Consolidated Financial Statements for further information regarding equity transactions during 2011.

As of February 15, 2012, there were 5,835 holders of record of the Company s common stock.

EQUITY CAPITAL AND DIVIDENDS

We have 4,400,000 authorized shares of preferred stock without par value and with a liquidation preference of $1,000 per share. As of December 31, 2011, 59,683, 709,103, 1,400,000, and 142,500 of preferred shares series A, C, D and E, respectively, have been issued and are outstanding. In addition, holders of $547 million of the Company s subordinated debt have the right to convert that debt into either Series A or C preferred stock. In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings available to common shareholders and are paid quarterly in arrears. The redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. The series A, C, and E shares are registered with the SEC. The Series D Fixed-Rate Cumulative Perpetual Preferred Stock was issued on November 14, 2008 to the U.S. Department of the Treasury for $1.4 billion in a private placement exempt from registration. See Note 14 of the Notes to Consolidated Financial Statements for further information regarding the Company s preferred stock.

The frequency and amount of common stock dividends paid during the last two years are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2011	$ 0.01	$ 0.01	$ 0.01	$ 0.01
2010	0.01	0.01	0.01	0.01

The Company s Board of Directors approved a dividend of $0.01 per common share payable on February 29, 2012 to shareholders of record on February 23, 2012. The Company expects to continue its policy of paying regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, financial condition, and regulatory approvals.

Table of Contents

The Company cannot increase the common stock dividend above $0.32 per share without the consent of the U.S. Treasury until the third anniversary of the date of the investment, or November 14, 2011, unless prior to such third anniversary the senior preferred stock series D is redeemed in whole or the U.S. Treasury has transferred all of the senior preferred stock series D to third parties.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The information contained in Item 12 of this Form 10-K is incorporated by reference herein.

SHARE REPURCHASES

The following table summarizes the Company s share repurchases for the fourth quarter of 2011.

Period	Total number of shares repurchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan
October	199	$ 13.68		$
November	251	16.18		
December	8,324	14.67		
Fourth quarter	8,774	14.69		

[1] *Represents common shares acquired from employees in connection with the Company s stock compensation plan. Shares were acquired from employees to pay for their payroll taxes upon the vesting of restricted stock under the withholding shares provision of an employee share-based compensation plan.*

The Company has not repurchased any shares under the Common Stock Repurchase Plan since August 16, 2007. It is prohibited from repurchasing any common shares through an authorized share repurchase program by terms of the CPP until the Company s Series D preferred stock has been fully repaid or the U.S. Treasury otherwise ceases to own any such preferred stock.

Table of Contents

PERFORMANCE GRAPH

The following stock performance graph compares the five-year cumulative total return of Zions Bancorporation s common stock with the Standard & Poor s 500 Index and the KBW Bank Index, both of which include Zions Bancorporation. The KBW Bank Index is a market capitalization-weighted bank stock index developed and published by Keefe, Bruyette & Woods, Inc., a nationally recognized brokerage and investment banking firm specializing in bank stocks. The index is composed of 24 geographically diverse stocks representing national money center banks and leading regional financial institutions. The stock performance graph is based upon an initial investment of $100 on December 31, 2006 and assumes reinvestment of dividends.

	2006	2007	2008	2009	2010	2011
Zions Bancorporation	100.0	58.0	31.8	16.8	31.8	21.4
KBW Bank Index	100.0	78.2	41.1	40.4	49.8	38.3
S&P 500	100.0	105.5	66.5	84.1	96.7	98.8

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA
FINANCIAL HIGHLIGHTS

(In millions, except per share amounts)	2011/2010 Change	2011	2010	2009	2008	2007
For the Year						
Net interest income	+3%	$ 1,772.5	$ 1,727.4	$ 1,897.5	$ 1,971.6	$ 1,882.0
Noninterest income	+9%	481.8	440.5	804.1	190.7	412.3
Total revenue	+4%	2,254.3	2,167.9	2,701.6	2,162.3	2,294.3
Provision for loan losses	-91%	74.4	852.1	2,016.9	648.3	152.2
Noninterest expense	-4%	1,658.7	1,718.9	1,671.5	1,475.0	1,404.6
Impairment loss on goodwill				636.2	353.8	
Income (loss) before income taxes	+229%	521.2	(403.1)	(1,623.0)	(314.8)	737.5
Income taxes (benefit)	+286%	198.5	(106.8)	(401.3)	(43.4)	235.8
Net income (loss)	+209%	322.7	(296.3)	(1,221.7)	(271.4)	501.7
Net income (loss) applicable to noncontrolling interests	+69%	(1.1)	(3.6)	(5.6)	(5.1)	8.0
Net income (loss) applicable to controlling interest	+211%	323.8	(292.7)	(1,216.1)	(266.3)	493.7
Net earnings (loss) applicable to common shareholders	+137%	153.4	(412.5)	(1,234.4)	(290.7)	479.4
Per Common Share						
Net earnings (loss) diluted	+133%	0.83	(2.48)	(9.92)	(2.68)	4.40
Net earnings (loss) basic	+133%	0.83	(2.48)	(9.92)	(2.68)	4.45
Dividends declared		0.04	0.04	0.10	1.61	1.68
Book value[1]		25.02	25.12	27.85	42.65	47.17
Market price end		16.28	24.23	12.83	24.51	46.69
Market price high[2]		25.60	30.29	25.52	57.05	88.56
Market price low		13.18	12.88	5.90	17.53	45.70
At Year-End						
Assets	+4%	53,149	51,035	51,123	55,093	52,947
Net loans and leases	+1%	37,145	36,747	40,189	41,659	38,880
Deposits	+5%	42,876	40,935	41,841	41,316	36,923
Long-term debt	+1%	1,954	1,943	2,033	2,622	2,591
Shareholders equity:						
Preferred equity	+16%	2,377	2,057	1,503	1,582	240
Common equity		4,608	4,591	4,190	4,920	5,053
Noncontrolling interests	-100%	(2)	(1)	17	27	31
Performance Ratios						
Return on average assets		0.63%	(0.57)%	(2.25)%	(0.50)%	1.01%
Return on average common equity		3.32%	(9.26)%	(28.35)%	(5.69)%	9.57%
Net interest margin		3.81%	3.73%	3.94%	4.18%	4.43%
Capital Ratios[1]						
Equity to assets		13.14%	13.02%	11.17%	11.85%	10.06%
Tier 1 leverage		13.40%	12.56%	10.38%	9.99%	7.37%
Tier 1 risk-based capital		16.13%	14.78%	10.53%	10.22%	7.57%
Total risk-based capital		18.06%	17.15%	13.28%	14.32%	11.68%
Tangible common equity		6.77%	6.99%	6.12%	5.89%	5.70%
Tangible equity		11.33%	11.10%	9.16%	8.91%	6.23%
Selected Information						
Average common and common-equivalent shares *(in thousands)*		182,605	166,054	124,443	108,908	108,408
Common dividend payout ratio		4.80%	na	na	na	37.82%
Full-time equivalent employees		10,606	10,524	10,529	11,011	10,933
Commercial banking offices		486	495	491	513	508
ATMs		589	601	602	625	627

[1] *At year-end.*

[2] *The actual high price for 2008 was $107.21. However, this trading price was an anomaly resulting from electronic orders at the opening of the market on September 19, 2008 in response to the SEC s announcement (prior to the market opening that day) of its temporary emergency action suspending short selling*

in financial companies. The closing price on September 19, 2008 was $52.83.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS MANAGEMENT S DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Company Overview

Zions Bancorporation (the Parent) and subsidiaries (collectively the Company, Zions, we, our, us) together comprise a $53 billion financi holding company headquartered in Salt Lake City, Utah. The Company is a systemically important financial institution under the Dodd-Frank Act.

As of December 31, 2011, the Company was the 19th largest domestic bank holding company in terms of deposits and is included in the S&P 500 and NASDAQ Financial 100 indices. It is the largest independent regional bank in the Western U.S.

At December 31, 2011, the Company operated banking businesses through 486 domestic branches in ten Western and Southwestern states.

The Company ranked 1st nationally in providing loans to small businesses through the SBA 504 lending program. It ranked 7th nationally in the SBA 7(a) lending program.

It has been awarded numerous Excellence awards by Greenwich Associates, having received 13 awards for the 2011 survey, while the nation s largest banks received between three and five such awards.

The Company provides public finance, wealth management and brokerage services.

Revenues and profits are primarily derived from commercial customers.

Long-Term Strategy

We strive to maintain a local community bank approach for customer-facing elements of our business. We believe that our target customers, consisting largely of small and mid-sized businesses, appreciate local branding, product customization and speedy decision-making by local management. By retaining a significant degree of autonomy in product offerings and pricing, we believe our banks have a sustainable competitive advantage over larger national banks where loan and deposit products are often homogeneous. However, we strive to centralize noncustomer facing operations, such as risk and capital management, technology and operations. By centralizing many of these functions, we believe we can generally achieve greater economies of scale and stronger risk management, and that our portfolio of community banks has superior access to the capital markets, investment portfolio, treasury management, liquidity resources, and technological advances than do smaller independent community banks.

Our growth strategy is driven by four key factors:

focus on growth markets;

maintain a sustainable competitive advantage over large national and global banks by keeping decisions that affect customers local;

maintain a sustainable competitive advantage over community banks through superior products, productivity, efficiency and a lower cost of capital; and

centralize and standardize policies and management controlling key risks.

Focus on Growth Markets

The Company seeks to grow both organically and through acquisitions in growth markets. The states in our geographic footprint have experienced higher rates of economic growth than other states. Our footprint is well diversified by industry, strong business formation rates, real estate development and general economic

Table of Contents

expansion. While some states in our footprint have experienced a significant slowing in economic activity during the recent recession, others have experienced above-average growth and stronger resistance to the economic downturn. We believe that the Company can continue to experience above-average revenue growth in the long term, in part because the majority of our footprint is concentrated in states that have above average GDP, population, and job growth, and where the economies are well diversified.

GDP growth in our footprint has exceeded nominal U.S. GDP by an average of 0.8% per year (compounded) over the last ten years; i.e. from 2001-2010, nominal US GDP grew by 4.0%, while nominal GDP in Zions footprint (weighted by assets) grew by 4.8%.

Population growth rates in our footprint have exceeded U.S. population growth rates by 1.1% per year (compounded) during the period 2000 thru 2010; i.e. nationally, the U.S. population increased by 10.6% during the last decade, while Zions footprint (weighted average) grew by 23.2% during the same period.

Job creation within the Zions footprint greatly exceeded the national rate during the past 10 years. U.S. nonfarm payroll jobs increased by 1.1% during the last 10 years; however, job creation in Zions footprint increased by 8.8%.

Keep Decisions That Affect Customers Local

We believe that over the long term, ensuring that local management teams retain the authority over decisions that affect their customers is a strategy that ultimately generates superior growth in our banking businesses, as supported by stronger organic loan and deposit growth relative to other banks.

We operate eight different community/regional banks, each under a different name, and each with its own charter, chief executive officer and management team.

We believe that this approach allows us to attract and retain exceptional management, and provides service of the highest quality to our targeted customers. The results of this service are evident in the results of the Greenwich Associates annual survey, wherein the Company consistently ranks Excellent for overall satisfaction among small and middle-market businesses.

This structure helps to ensure that decisions related to customers are made at a local level:

- branding and marketing strategies;
- product offerings and pricing; and
- credit decisions (within the limits of established corporate policy).

Maintain a Sustainable Competitive Advantage Over Community Banks

To create a sustainable competitive advantage over other smaller community banks, we focus on achieving superior product selection, productivity, economies of scale, availability of liquidity, and a lower cost of capital. Compared to community banks:

We use the combined scale of all of our banking operations to create a broad product offering at a lower marginal cost.

Our larger capital base allows us to lend to business customers of all sizes, from start-up companies to large Fortune 100 companies.

For certain products for which economies of scale are believed to be important, the Company manufactures the product centrally or is able to obtain services from third-party vendors at lower costs due to volume-driven pricing power.

Our combined size and diversification affords us superior access to the capital markets for debt and equity financing; over the long term, this advantage has historically, and should in the future, result in a lower cost of capital than our subsidiary banks could achieve on their own.

Table of Contents

Centralize and Standardize Policies and Management Controlling Key Risks

We seek to standardize policies and practices related to the management of key risks in order to assure a consistent risk profile in an otherwise decentralized management model. Among these key risks and functions are credit, interest rate, liquidity, and market risks.

- The Company conducts regular stress testing of the loan portfolio using multiple economic scenarios. Such tests help to identify pockets of risk and enable management to reduce risk.

- The Company oversees credit risk using specialists in business, commercial real estate, and consumer lending.

- The Company regularly measures interest rate and liquidity risk and uses capital markets instruments to adjust risks to within Board-approved targets.

- The Company centrally monitors and oversees operational risk.

MANAGEMENT S OVERVIEW OF 2011 PERFORMANCE

The Company worked aggressively in three key areas during 2011 to improve profitability:

- Asset quality improvement, resulting in a 42% decline in nonperforming lending-related assets and a 54% decline in net charge-offs.

- Loan production and returning the company to positive loan growth, after declining in the prior two years. The prior years declines were primarily due to attrition in construction loans as part of our efforts to reduce the risk profile of the Company.

- Further developing our stress testing capabilities and making significant improvements to risk management, and the submission of our formal capital plan to the Federal Reserve on January 9, 2012. This submission included four economic scenarios on all eight of our affiliate banks as well as the consolidated company; additionally, we submitted test results on various asset classes that have unique characteristics, such as our CDO and energy loan portfolios.

The Company reported net income applicable to common shareholders for 2011 of $153.4 million or $0.83 per diluted common share compared to a net loss of $412.5 million or $2.48 per diluted common share for 2010.

While we are encouraged with a return to profitability in 2011, we believe we have much work to do to reach an attractive return on equity and return to an acceptable growth rate for net earnings available to common shareholders.

Significant 2011 accomplishments

- The Company returned to profitability, generating a 3.32% return on average common equity, and common equity per share was generally stable during the year.

- The Company worked aggressively to reduce problem assets. Classified loans, a broad category of loans having an elevated probability of default, declined 40% from one year ago, a faster rate of improvement than the prior year s 32% improvement.

Nonperforming assets and net charge-offs improved significantly, as previously discussed (see Chart 2).

Net impairment losses on investment securities declined 61% in 2011, after declining 70% in 2010.

Capital levels improved materially. The Tier 1 common capital ratio increased 7% in 2011 to a record high level of 9.57%. Based upon information currently available, management believes the Company already exceeds the new Basel III guidelines; such guidelines have not yet been formally adopted by the Federal Reserve, and thus can only be estimated. The Basel III guidelines are scheduled to be fully phased in by January 2019.

Table of Contents

We continued to rebalance and reduce the risk of the loan portfolio. During 2011, construction and land development loans declined 35% after declining 37% in the prior year. They now account for only 6% of the loan portfolio, down from 22% at their peak. These loans have been the largest single source of loan losses during this credit cycle, and the concentration reduction represents lower risk for the total portfolio.

Despite the significant decline in construction loans, we were successful at increasing loan balances by 1.1% in 2011, compared to a year ago. The growth is primarily attributable to commercial and industrial loans. Importantly, loan production increased 15.7% in the fourth quarter of 2011 compared to the same period a year ago.

We continued to improve liquidity ratios. Cash, money market investments, and certain securities (U.S. Treasury securities, U.S. Government agencies and SBA securities) increased to 19.6% of tangible assets at December 31, 2011 compared to 16.0% at December 31, 2010.

* *The reconciliation of net interest income to core net interest income is found in the GAAP to non-GAAP reconciliation (Schedule 40) on page 92.*

As of December 31, 2011, the reconciliation of controlling interest shareholders equity to Tier 1 common equity is found in the GAAP to non-GAAP reconciliation (Schedule 38) on page 91. Reserves consist of the allowance for loan losses and the reserve for unfunded lending commitments.

Areas experiencing weakness in 2011

Our 2011 core net interest margin declined to 3.99% from 4.12% in 2010, but continued to remain among the strongest in the industry. This decline was primarily due to the substantial increase in low-yielding cash balances, which was driven by the strong increase in deposits; excluding the effect of cash balances, the NIM was relatively stable. However, we expect pressure on the NIM in 2012 due to loan maturities and resets certain loans that were booked in prior years have higher rates than current market rates, and thus when a loan matures or resets, the yield frequently declines compared to the prior yield. We believe we can offset most of this pressure through reduced deposit pricing and some growth in the loan portfolio (i.e. volume benefits offsetting rate reductions).

While showing dramatic improvement, asset quality ratios are still below long-term averages.

Revenues from nonsufficient funds and overdraft charges were adversely impacted by changes stemming from the adoption of the Dodd-Frank Act, and specifically the Durbin Amendment within that Congressional act.

FDIC premiums, other real estate expense, and credit related expenses, while receding from the prior year levels, continued to have a significantly adverse effect on total noninterest expense.

Areas of focus for 2012

Further reduce nonaccrual and classified loans, and a reduction in net charge-offs.

Increase the loan growth rate, primarily through continued strong business lending and additional growth in residential mortgage lending.

Increase fee income through changes to product pricing, in response to lost fee income resulting from changes to the aforementioned laws.

Table of Contents

Carefully manage expenses, including expenses related to loan quality other than the provision for loan losses, e.g. OREO expense and other credit-related expenses.

Schedule 1 presents the key drivers of the Company s performance during 2011 and 2010.

Schedule 1

KEY DRIVERS OF PERFORMANCE

2011 COMPARED TO 2010

Driver	**2011**	**2010**	**Change better/(worse)**
	(In billions)		
Average net loans and leases	$ 36.8	$ 38.3	(4)%
Average money market investments	5.4	4.1	32 %
Average noninterest-bearing deposits	14.5	13.3	9 %
Average total deposits	41.3	41.7	(1)%
	(In millions)		
Net interest income	$ 1,772.5	$ 1,727.4	3 %
Provision for loan losses	(74.4)	(852.1)	91 %
Net impairment losses on investment securities	(33.7)	(85.4)	61 %
Noninterest income	481.8	440.5	9 %
Noninterest expense	1,658.7	1,718.9	4 %
Nonaccrual loans	909.9	1,528.7	40 %
Net interest margin	3.81%	3.73%	8 bps
Core net interest margin	3.99%	4.12%	(13)bps
Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned	2.83%	4.91%	208 bps
Ratio of total allowance for credit losses to net loans and leases outstanding	3.10%	4.22%	112 bps
Tier 1 common equity to risk-weighted assets	9.57%	8.95%	62 bps
	(In millions of shares)		
Net common shares issued	1.4	32.4	96 %

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Note 1 of the Notes to Consolidated Financial Statements contains a summary of the Company s significant accounting policies. Further explanations of significant accounting policies are included where applicable in the remaining Notes to Consolidated Financial Statements. Discussed below are certain significant accounting policies that we consider critical to the Company s financial statements. These critical accounting policies were selected because the amounts affected by them are significant to the financial statements. Any changes to these amounts, including changes in estimates, may also be significant to the financial statements. We believe that an understanding of certain of these policies, along with the related estimates we are required to make in recording the financial transactions of the Company, is important to have a complete picture of the Company s financial condition. In addition, in arriving at these estimates, we are required to make complex and subjective judgments, many of which include a high degree of uncertainty. The following discussion of these critical accounting policies includes the significant estimates related to these policies. We have discussed each of these accounting policies and the related estimates with the Audit Committee of the Board of Directors.

We have included where applicable in this document sensitivity schedules and other examples to demonstrate the impact of the changes in estimates made for various financial transactions. The sensitivities in these schedules and examples are hypothetical and should be viewed with caution. Changes in estimates are based on variations in assumptions and are not subject to simple extrapolation, as the relationship of the change

28

in the assumption to the change in the amount of the estimate may not be linear. In addition, the effect of a variation in one assumption is in reality likely to cause changes in other assumptions, which could potentially magnify or counteract the sensitivities.

Fair Value Estimates

The Company measures or monitors many of its assets and liabilities on a fair value basis. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To increase consistency and comparability in fair value measures, ASC 820 establishes a three-level hierarchy to prioritize the valuation inputs among (1) observable inputs that reflect quoted prices in active markets, (2) inputs other than quoted prices with observable market data, and (3) unobservable data such as the Company s own data or single dealer nonbinding pricing quotes.

When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analyses. These modeling techniques utilize assumptions that market participants would use in pricing the asset or the liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, the related life of the asset and applicable growth rate, the risk of nonperformance, and other related assumptions.

The selection and weighting of the various fair value techniques may result in a fair value higher or lower than carrying value. Considerable judgment may be involved in determining the amount that is most representative of fair value.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary measure of accounting. Fair value is used on a nonrecurring basis to measure certain assets or liabilities (including HTM securities, loans held for sale, and OREO) for impairment or for disclosure purposes in accordance with ASC 825, *Financial Instruments*.

Impairment analysis also relates to long-lived assets, goodwill, and core deposit and other intangible assets. Additionally, we monitor the fair values of OREO and HTM securities and record impairment losses as necessary. An impairment loss is recognized if the carrying amount of the asset is not likely to be recoverable and exceeds its fair value. In determining the fair value, management uses models and applies the techniques and assumptions previously discussed.

Investment securities are valued using several methodologies which depend on the nature of the security, availability of current market information, and other factors. Certain CDOs are valued using an internal model and the assumptions are analyzed for sensitivity. Investment Securities Portfolio on page 52 provides more information regarding this analysis.

Investment securities are reviewed formally on a quarterly basis for the presence of OTTI. The evaluation process takes into account current market conditions, fair value of the security, and many other factors. The decision to deem these securities OTTI is based on a specific analysis of the structure of each security and an evaluation of the underlying collateral. All reviews for OTTI consider the particular facts and circumstances during the reporting period in review.

Notes 1, 5, 8, 10 and 21 of the Notes to Consolidated Financial Statements and Investment Securities Portfolio on page 52 contain further information regarding the use of fair value estimates.

Allowance for Credit Losses

The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent in the loan portfolio, but which have not been specifically identified. The determination of the appropriate level of the allowance is based on periodic evaluations of the portfolios. This process includes a quantitative analysis, as well as a qualitative review of its results. The qualitative review requires a significant amount of judgement, and is described in more detail in Note 6 of the Notes to Consolidated Financial Statements.

The reserve for unfunded lending commitments provides for potential losses associated with off-balance sheet lending commitments and standby letters of credit. The reserve is estimated using the same procedures and methodologies as for the allowance for loan losses.

There are numerous components that enter into the evaluation of the allowance for loan losses, which includes a quantitative and a qualitative process. Although we believe that our processes for determining an appropriate level for the allowance adequately address the various components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates and projections could require an additional provision for credit losses. As an example, if a total of $1.5 billion of Pass grade loans were to be immediately classified as Special Mention, Substandard or Doubtful (as defined in Note 6 of the Notes to Consolidated Financial Statements) in the same proportion as the existing criticized and classified loans to the whole portfolio, the quantitatively determined amount of the allowance for loan losses at December 31, 2011 would increase by approximately $68 million. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in the level of the criticized and classified loans may have on the allowance estimation process.

Although the qualitative process is subjective, it represents the Company s best estimate of qualitative factors impacting the determination of the allowance for loan losses. Such factors include but are not limited to national and regional economic trends and indicators. We believe that given the procedures we follow in determining the allowance for loan losses for the loan portfolio, the various components used in the current estimation processes are appropriate.

Note 6 of the Notes to Consolidated Financial Statements and Credit Risk Management on page 67 contain further information and more specific descriptions of the processes and methodologies used to estimate the allowance for credit losses.

Accounting for Goodwill

Goodwill is initially recorded at fair value and is subsequently evaluated at least annually for impairment in accordance with ASC 350, *Intangibles Goodwill and Other*. We perform this annual test as of October 1 of each year, or more often if events or circumstances indicate that carrying value may not be recoverable. The goodwill impairment test for a given reporting unit compares its fair value with its carrying value. If the carrying amount exceeds fair value, an additional analysis must be performed to determine the amount, if any, by which goodwill is impaired.

To determine the fair value, we calculate value using a combination of up to three separate methods: comparable publicly traded financial service companies in the western and southwestern states (Market Value); where applicable, comparable acquisitions of financial services companies in the western and southwestern states (Transaction Value); and the discounted present value of management s estimates of future cash or income flows. Critical assumptions that are used as part of these calculations include:

- selection of comparable publicly traded companies, based on location, size, and business focus and composition;
- selection of market comparable acquisition transactions, based on location, size, business focus and composition, and date of the transaction;
- the discount rate applied to future earnings, based on an estimate of the cost of capital;

- the potential future earnings of the reporting unit;
- the relative weight given to the valuations derived by the three methods described; and
- the control premium associated with reporting units.

We apply a control premium in the Market Value approach to determine the reporting units equity values. Control premiums represent the ability of a controlling shareholder to change how the Company is managed, which might cause the fair value of a reporting unit as a whole to exceed its market capitalization. Based on a review of historical bank transactions within the Company s geographic footprint, comparing market values 30 days prior to the announced transaction to the deal value, we have determined that a control premium of 33% was appropriate.

Since estimates are an integral part of the impairment computations, changes in these estimates could have a significant impact on any calculated impairment amount. Factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, loan losses, changes in growth trends, cost structures and technology, changes in discount rates, changes in equity market values and merger and acquisition valuations, and changes in industry conditions.

During the fourth quarter of 2011, we performed our annual goodwill impairment evaluation of the entire organization, effective October 1, 2011. Upon completion of the evaluation process, we concluded that none of our subsidiary banks was impaired and determined that the fair values of Amegy, CB&T, and Zions Bank exceeded their carrying values by 23%, 21% and 22%, respectively. Additionally, we performed a hypothetical sensitivity analysis on the discount rate assumption to evaluate the impact of an adverse change to this assumption. If the discount rate applied to future earnings were increased by 150 basis points, then the fair values of Amegy, CB&T, and Zions Bank would exceed their carrying values by 14%, 12%, and 3%, respectively.

Over the prior four years, we have recorded impairment losses of $990 million in connection with our annual goodwill impairment evaluation. During 2009, we recorded goodwill impairment of $636 million that related primarily to Amegy.

Notes 1 and 10 of the Notes to Consolidated Financial Statements contain additional information, including recently issued accounting guidance that affects the calculation process.

Accounting for Derivatives

Our interest rate risk management strategy involves the use of hedging to mitigate our exposure to potential adverse effects from changes in interest rates.

The derivative contracts used by the Company are exchange-traded or OTC. Exchange-traded derivatives consist of forward currency exchange contracts, which are part of the Company s services provided to commercial customers. OTC derivatives consist of interest rate swaps, options and futures contracts.

We record all derivatives at fair value on the balance sheet in accordance with ASC 815, *Derivatives and Hedging*. When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. These future net cash flows, however, are susceptible to change due primarily to fluctuations in interest rates (most significantly), and foreign exchange rates. As a result, the estimated values of these derivatives will change over time as cash is received and paid and as market conditions change. As these changes take place, they may have a positive or negative impact on our estimated valuations.

We incorporate credit valuation adjustments to appropriately reflect both the Company s own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements of its

OTC derivatives, based on a total expected exposure credit model. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, current threshold amounts, mutual puts, and guarantees. Additionally, we actively monitor counterparty credit ratings for significant changes.

Notes 1, 8 and 21 of the Notes to Consolidated Financial Statements and Interest Rate and Market Risk Management on page 79 contain further information on our use of derivatives and the methodologies used to estimate fair value.

Income Taxes

The Company is subject to the income tax laws of the United States, its states and other jurisdictions where the Company conducts business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these laws and related regulations. In the process of preparing the Company s tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to re-interpretation based on management s ongoing assessment of facts and evolving case law.

The Company had net DTAs of $509 million at December 31, 2011, compared to $540 million at December 31, 2010. The most significant portions of the deductible temporary differences relate to (1) the allowance for loan losses and (2) fair value adjustments or impairment write-downs related to securities. No valuation allowance has been recorded as of December 31, 2011 related to DTAs except for a full valuation reserve related to certain acquired net operating losses from an immaterial nonbank subsidiary. In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. Despite the negative evidence of a cumulative three-year loss, the ultimate realization of DTAs is based on the Company s ability to (1) carry back net operating losses to prior tax periods, (2) implement tax planning strategies that are prudent and feasible, (3) utilize the reversal of taxable temporary differences to offset deductible temporary differences, and (4) generate future taxable income.

The Company does not have any available carryback potential to prior tax years.

Tax planning strategies represent a source of positive evidence that must be considered when assessing the need for a valuation allowance. Tax planning strategies must be prudent and feasible (and within the control of a company), something that a company might not ordinarily implement, but would implement to prevent an operating loss or tax credit carryforward from expiring unused, and would result in the realization of DTAs. The Company has evaluated a number of tax planning strategies that, if implemented, could result in the realization of a majority of the net DTA balance that exists at December 31, 2011. These strategies mainly involve the sale of highly appreciated assets (e.g., certain fixed assets, publicly-traded securities and insurance policies). Management would not expect that the execution of any of the actions would involve a significant amount of expense.

The Company has taxable temporary differences, or DTLs that will reverse and offset DTAs in the periods prior to the expiration of any benefits. Based on our analysis and experience, the general reversal pattern of DTLs against DTAs would be somewhat similar in character and timing. Because of this generally consistent reversal pattern, we believe it is appropriate to reduce our gross DTAs by our DTLs.

The Company has a strong history of positive earnings and has generated significant levels of net income in the past. While the recent economic downturn has been severe, the Company has consistently maintained strong levels of core net interest income. The Company is well positioned in the highest growth areas in the country and is fundamentally strong in its capital, liquidity, business practices, and has experienced growth in loan production and strong deposit growth. The Company was profitable in 2011 and most indicators of future profitability such as asset quality ratios, loan portfolio balances, loan production volume, and deposit growth strengthened as the company improved throughout the year. The Company is relying on future taxable income to realize some of its DTAs and expects to generate such income in 2012 and to remain profitable in future periods.

After evaluating all of the factors previously summarized and considering the weight of the positive evidence compared to the negative evidence, management has concluded it is more likely than not that the Company will realize the existing DTAs and that an additional valuation allowance is not needed.

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are also reassessed on a regular basis. Reserves for contingent tax liabilities are reviewed quarterly for adequacy based upon developments in tax law and the status of examinations or audits. The Company has tax reserves at December 31, 2011 of approximately $4.1 million, net of federal and/or state benefits, for uncertain tax positions primarily for various state tax contingencies in several jurisdictions.

Note 15 of the Notes to Consolidated Financial Statements and Income Taxes on page 47 contain additional information.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note 2 of the Notes to Consolidated Financial Statements discusses the expected impact of accounting pronouncements recently issued but not yet required to be adopted. Where applicable, the other Notes to Consolidated Financial Statements and MD&A discuss new accounting pronouncements adopted during 2011 to the extent they materially affect the Company s financial condition, results of operations, or liquidity.

RESULTS OF OPERATIONS

The Company reported net earnings applicable to common shareholders for 2011 of $153.4 million, or $0.83 per diluted share, compared to a net loss applicable to common shareholders of $412.5 million, or $2.48 per diluted share for 2010. The significant improvement in net earnings was mainly caused by the following favorable changes:

- $777.7 million decrease in the provision for loan losses;
- $67.2 million decrease in other real estate expense;
- $51.7 million decrease in net impairment losses on investment securities;
- $45.1 million increase in net interest income;
- $38.1 million decrease in FDIC premiums;
- $12.5 million increase in equity securities gains; and
- $10.8 million decrease in fair value and nonhedge derivative loss.

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

$305.4 million increase in income tax expense;

$48.9 million increase in salaries and employee benefits;

$47.5 million increase in preferred stock dividends;

$25.3 million decrease in service charges and fees on deposit accounts; and

$14.5 million decrease in gain on subordinated debt exchange.

Table of Contents

The Company reported a net loss applicable to common shareholders for 2010 of $412.5 million, or $2.48 per diluted share, compared to a net loss applicable to common shareholders of $1,234.4 million, or $9.92 per diluted share for 2009. The significant reduction in net loss was mainly caused by the following favorable changes:

- $1,164.8 million decline in the provision for loan losses;
- $636.2 million decrease in impairment loss on goodwill;
- $212.1 million decrease in valuation losses on securities purchased;
- $195.1 million reduction in net impairment losses on investment securities;
- $70.2 million decline in the provision for unfunded lending commitments;
- $14.5 million gain on subordinated debt exchange; and
- $6.4 million improvement in dividends and other investment income.

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

- $508.9 million reduction in gain on subordinated debt modification;
- $294.5 million decrease in income tax benefit;
- $169.2 million decline in acquisition related gains;
- $136.7 million increase in accelerated convertible subordinated debt discount amortization recognized in interest expense;
- $129.6 million reduction in fair value and nonhedge derivative income;
- $48.8 million growth in other noninterest expense;
- $34.0 million increase in other real estate expense; and
- $26.2 million rise in credit related expense.

During 2009, the Company executed a subordinated debt modification and exchange transaction. The original discount on the convertible subordinated debt was $679 million and the remaining discount at December 31, 2011 was $224 million. It included the following components:

- The fair value discount on the debt; and

- The value of the beneficial conversion feature which added the right of the debt holder to convert the debt into preferred stock.

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

Excluding the impact of these noncash expenses, income before income taxes and subordinated debt conversions for 2011 increased to $682.8 million compared to a loss of $172.7 million in 2010.

Table of Contents

Schedule 2

IMPACT OF CONVERTIBLE SUBORDINATED DEBT

(In millions)	Year Ended December 31, 2011	2010	2009
Income (loss) before income taxes (GAAP)	$ 521.2	$ (403.1)	$ (1,623.0)
Gain on subordinated debt modification			(508.9)
Convertible subordinated debt discount amortization	46.0	58.0	26.9
Accelerated convertible subordinated debt discount amortization	115.6	172.4	35.7
Income (loss) before income taxes, gain on subordinated debt modification, and discount amortization on convertible subordinated debt (non-GAAP)	$ 682.8	$ (172.7)	$ (2,069.3)

The impact of the conversion of subordinated debt into preferred stock is further detailed in Capital Management on page 88.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities. Taxable-equivalent net interest income is the largest portion of Zions revenue. For the year 2011, taxable-equivalent net interest income was $1,792.7 million, compared to $1,749.1 million in 2010 and $1,920.8 million in 2009. For the year 2011, it was 78.8% of our taxable-equivalent revenues, practically unchanged from the 79.9% in 2010; in 2009, taxable-equivalent net interest income was 70.5% of our taxable-equivalent revenues. A larger portion of our taxable-equivalent revenue in 2009 resulted from gains, including a gain on subordinated debt modification of $508.9 million and gains of $169.2 million on acquisitions of failed banks from the FDIC. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all years presented.

By its nature, net interest income is especially vulnerable to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities can significantly impact net interest income. During 2011, average loans decreased faster than average deposits, and most of the resulting liquidity was invested in lower yielding money market investments. The Company has undertaken efforts to actively reduce excess liquidity while preserving key customer relationships; despite these efforts, however, total liquidity has continued to increase. Low-yielding money market investments increased to 11.4% of interest-earning assets for 2011, compared to 8.7% and 4.9% for 2010 and 2009, respectively, which adversely affected the net interest margin. See Interest Rate and Market Risk Management on page 79 for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and associated risk.

The increased net interest margin for 2011 compared to 2010 resulted primarily from the impact of lower discount amortization and accelerated discount amortization of convertible subordinated debt discount expense. The average rate paid on interest-bearing deposits declined 21 basis points to 0.48% in 2011 from 0.69% in 2010, and the average interest rate earned on net loans and leases excluding FDIC-supported loans, which declined 19 basis points to 5.40% in 2011 from 5.59% in 2010. The average rate earned on money market investments decreased by 1 bp from the prior year. Average total loans and leases for 2011 were $1.5 billion or 3.8% lower than for 2010 due to net loan payoffs, pay-downs and charge-offs. Average interest-bearing deposits decreased $1.7 billion from 2010; the decrease was driven primarily by time and money market deposits. Average borrowed funds decreased $0.4 billion compared to 2010, primarily due to reduced amounts of federal funds purchased and security repurchase agreements along with conversions of subordinated debt into preferred stock. Additionally, the mix of low-cost deposit funding improved. For 2011, average noninterest-bearing deposits accounted for 35.2% of total average deposits as compared to 31.9% in 2010.

Table of Contents

The decreased net interest margin for 2010 compared to 2009 resulted from the impact of the discount amortization on the modified subordinated debt, including the effect of the conversion of subordinated debt into preferred stock; increased nonaccrual loans and securities; and higher money market investment balances earning lower rates. This was offset in part by a lower cost mix of deposit funding, lower rates paid on interest-bearing deposits, and larger incremental spreads on new loan generation. Average loans and leases decreased $3.3 billion due to loan payoffs and charge-offs, and average money market investments increased $1.7 billion as the Company chose not to invest excess liquidity in longer-duration securities. Average interest-bearing deposits decreased $3.4 billion from 2009, with the decrease being driven primarily by time and money market deposits. Average borrowed funds decreased $1.6 billion compared to 2009, primarily due to reduced amounts of federal funds purchased and security repurchase agreements along with conversions of subordinated debt into preferred stock. Average noninterest-bearing deposits increased $2.3 billion compared to 2009 and were 31.9% of total average deposits for 2010, compared to 25.8% for 2009.

A gauge that we use to measure the Company s success in managing its net interest income is the level and stability of the net interest margin. The net interest margin was 3.81% for 2011, compared to 3.73% in 2010, and 3.94% in 2009; however, the Company believes that its core net interest margin is more reflective of its operating performance than the reported net interest margin. We calculate the core net interest margin by excluding the impact of discount amortization on convertible subordinated debt, accelerated discount amortization on convertible subordinated debt, and additional accretion of interest income on acquired loans from the net interest margin. The core net interest margin was relatively stable and high at 3.99%, 4.12% and 4.07% for 2011, 2010, and 2009, respectively. See Schedule 39 on page 92 for a reconciliation between the GAAP net interest margin and the non-GAAP core net interest margin.

Chart 4 illustrates recent trends of the net interest margin, core net interest margin, and the average federal funds rate.

The spread on average interest-bearing funds was 3.26% for 2011, compared to 3.12% and 3.52% in 2010 and 2009, respectively. The spread on average interest-bearing funds for 2011 was also affected by most of the same factors that had an impact on the net interest margin.

The net interest margin will continue to be positively impacted in future quarters by the decreased level of nonperforming assets and adversely affected by competitive loan pricing conditions, rate resets on 5-year reset loans made prior to the economic downturn, and the discount amortization related to the debt modification transactions, including the accelerated discount amortization to the extent that holders of the modified debt elect to convert their holdings to preferred stock. The unamortized discount on the convertible subordinated debt was $224 million as of December 31, 2011, or 41.0% of the total $547 million of remaining outstanding convertible subordinated notes and will be amortized as interest expense over the remaining life of the debt using the interest method.

During the fourth quarter of 2011, the net interest margin was impacted by two loan repricing factors. First, adjustable rate loans originated in the past are resetting to lower rates as the current repricing index is lower than when those loans were originated. Secondly, maturing loans, many of which have rate floors, were replaced with new loans at lower original coupons or lower floors compared to the loans originated when spreads were higher. We expect that these factors may again compress the net interest margin in 2012. This margin pressure may be offset by increased loan originations. The net interest margin may also be adversely affected by the competitive market pricing for high quality loans, repricing of variable rate loans, and the potential reduction of noninterest-bearing deposits when the unlimited deposit insurance ends on December 31, 2012.

The Company expects to continue its efforts over the long run to maintain a slightly asset-sensitive position with regard to interest rate risk. The current period of historically low interest rates has lasted for several years. During this time, the Company has maintained an interest rate risk position that is more asset sensitive than it was prior to the economic crisis, and it expects to maintain this more asset sensitive position for a prolonged period. With interest rates at historically low levels, there is a reduced need to protect against falling interest rates. Our estimates of the Company s actual rate risk position are highly dependent upon a number of assumptions regarding the repricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. Further detail on interest rate risk is discussed in Interest Rate Risk on page 80.

Schedule 3 summarizes the average balances, the amount of interest earned or incurred and the applicable yields for interest-earning assets and the costs of interest-bearing liabilities that generate taxable-equivalent net interest income. Note that the amount of interest and the average rate paid on long-term debt in 2009, 2010 and 2011 reflect the impacts of the discount amortization and accelerated discount amortization on the modified subordinated debt.

Table of Contents

CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Unaudited)

Schedule 3

DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS EQUITY

AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Amounts in millions)	2011 Average balance	2011 Amount of interest[1]	2011 Average rate	2010 Average balance	2010 Amount of interest[1]	2010 Average rate
ASSETS:						
Money market investments	$ 5,356	$ 13.8	0.26%	$ 4,085	$ 11.0	0.27%
Securities:						
Held-to-maturity	817	44.7	5.47	866	44.3	5.12
Available-for-sale	3,895	89.6	2.30	3,416	91.5	2.68
Trading account	58	2.0	3.45	61	2.2	3.64
Total securities	4,770	136.3	2.86	4,343	138.0	3.18
Loans held for sale	146	5.7	3.94	187	8.9	4.78
Loans:						
Net loans and leases excluding FDIC-supported loans[2]	35,942	1,940.8	5.40	37,040	2,069.3	5.59
FDIC-supported loans	856	128.5	15.01	1,210	114.4	9.46
Total loans and leases	36,798	2,069.3	5.62	38,250	2,183.7	5.71
Total interest-earning assets	47,070	2,225.1	4.73	46,865	2,341.6	5.00
Cash and due from banks	1,056			1,214		
Allowance for loan losses	(1,270)			(1,555)		
Goodwill	1,015			1,015		
Core deposit and other intangibles	78			101		
Other assets	3,461			3,987		
Total assets	$ 51,410			$ 51,627		
LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	$ 6,613	18.1	0.27	$ 6,138	20.5	0.33
Money market	14,863	66.7	0.45	15,901	106.0	0.67
Time	3,750	35.6	0.95	4,746	59.8	1.26
Foreign	1,515	8.1	0.53	1,627	9.8	0.60
Total interest-bearing deposits	26,741	128.5	0.48	28,412	196.1	0.69
Borrowed funds:						
Securities sold, not yet purchased	33	1.4	4.21	40	1.8	4.50
Federal funds purchased and security repurchase agreements	653	0.8	0.12	920	1.5	0.16
Other short-term borrowings	146	4.5	3.08	189	9.3	4.93
Long-term debt	1,913	297.2	15.54	1,980	383.8	19.38
Total borrowed funds	2,745	303.9	11.07	3,129	396.4	12.67

Total interest-bearing liabilities	29,486	432.4	1.47	31,541	592.5	1.88
Noninterest-bearing deposits	14,531			13,318		
Other liabilities	523			576		
Total liabilities	44,540			45,435		
Shareholders equity:						
Preferred equity	2,257			1,732		
Common equity	4,614			4,452		
Controlling interest shareholders equity	6,871			6,184		
Noncontrolling interests	(1)			8		
Total shareholders equity	6,870			6,192		
Total liabilities and shareholders equity	$ 51,410			$ 51,627		
Spread on average interest-bearing funds			3.26%			3.12%
Taxable-equivalent net interest income and net yield on interest-earning assets		$ 1,792.7	3.81%		$ 1,749.1	3.73%

[1] *Taxable-equivalent rates used where applicable.*
[2] *Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.*

38

Table of Contents

	2009			2008			2007	
Average balance	Amount of interest[1]	Average rate	Average balance	Amount of interest[1]	Average rate	Average balance	Amount of interest[1]	Average rate
$ 2,380	$ 7.9	0.33%	$ 1,889	$ 47.8	2.53%	$ 834	$ 43.7	5.24%
1,263	66.9	5.29	1,516	101.3	6.68	684	47.7	6.97
3,313	104.1	3.14	3,266	162.1	4.97	4,661	269.2	5.78
75	2.7	3.65	43	1.9	4.41	61	3.3	5.40
4,651	173.7	3.73	4,825	265.3	5.50	5,406	320.2	5.92
226	11.0	4.88	182	10.1	5.52	233	14.9	6.37
40,455	2,281.6	5.64	40,795	2,674.4	6.56	36,575	2,852.7	7.80
1,058	64.4	6.09						
41,513	2,346.0	5.65	40,795	2,674.4	6.56	36,575	2,852.7	7.80
48,770	2,538.6	5.21	47,691	2,997.6	6.29	43,048	3,231.5	7.51
1,245			1,380			1,477		
(1,104)			(546)			(391)		
1,174			1,937			2,005		
125			137			181		
3,838			3,163			2,527		
$ 54,048			$ 53,762			$ 48,847		
$ 5,035	21.6	0.43	$ 4,446	35.6	0.80	$ 4,443	41.4	0.93
17,513	216.4	1.24	13,739	335.0	2.44	11,962	437.9	3.66
7,235	168.0	2.32	7,077	258.1	3.65	7,308	341.9	4.68
2,011	18.7	0.93	3,166	84.2	2.66	2,710	130.5	4.81
31,794	424.7	1.34	28,428	712.9	2.51	26,423	951.7	3.60
41	2.2	5.22	33	1.5	4.82	30	1.4	4.56
1,923	5.7	0.30	2,733	53.3	1.95	3,211	148.5	4.62
305	6.8	2.24	4,699	124.0	2.64	1,355	68.8	5.08
2,438	178.4	7.32	2,577	110.5	4.29	2,496	153.0	6.13
4,707	193.1	4.10	10,042	289.3	2.88	7,092	371.7	5.24
36,501	617.8	1.69	38,470	1,002.2	2.61	33,515	1,323.4	3.95
11,053			9,145			9,401		
558			578			647		
48,112			48,193			43,563		

1,558			432			240		
4,354			5,108			5,008		
5,912			5,540			5,248		
24			29			36		
5,936			5,569			5,284		
$ 54,048			$ 53,762			$ 48,847		
		3.52%			3.68%			3.56%
	$ 1,920.8	3.94%		$ 1,995.4	4.18%		$ 1,908.1	4.43%

Schedule 4 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

Schedule 4

ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

	2011 over 2010			2010 over 2009		
	Changes due to		Total	Changes due to		Total
(Amounts in millions)	Volume	Rate[1]	changes	Volume	Rate[1]	changes
INTEREST-EARNING ASSETS:						
Money market investments	$ 3.2	$ (0.4)	$ 2.8	$ 4.5	$ (1.4)	$ 3.1
Securities:						
Held-to-maturity	(2.4)	2.8	0.4	(20.4)	(2.2)	(22.6)
Available-for-sale	11.0	(12.9)	(1.9)	2.7	(15.3)	(12.6)
Trading account	(0.1)	(0.1)	(0.2)	(0.5)		(0.5)
Total securities	8.5	(10.2)	(1.7)	(18.2)	(17.5)	(35.7)
Loans held for sale	(1.6)	(1.6)	(3.2)	(1.9)	(0.2)	(2.1)
Loans:						
Net loans and leases excluding FDIC-supported loans[2]	(59.4)	(69.1)	(128.5)	(192.1)	(20.2)	(212.3)
FDIC-supported loans	(33.4)	47.5	14.1	10.3	39.7	50.0
Total loans and leases	(92.8)	(21.6)	(114.4)	(181.8)	19.5	(162.3)
Total interest-earning assets	(82.7)	(33.8)	(116.5)	(197.4)	0.4	(197.0)
INTEREST-BEARING LIABILITIES:						
Interest-bearing deposits:						
Savings and NOW	1.5	(3.9)	(2.4)	3.9	(5.0)	(1.1)
Money market	(4.9)	(34.4)	(39.3)	(11.4)	(99.0)	(110.4)
Time	(9.5)	(14.7)	(24.2)	(31.4)	(76.8)	(108.2)
Foreign	(0.5)	(1.2)	(1.7)	(2.3)	(6.6)	(8.9)
Total interest-bearing deposits	(13.4)	(54.2)	(67.6)	(41.2)	(187.4)	(228.6)
Borrowed funds:						
Securities sold, not yet purchased	(0.3)	(0.1)	(0.4)	(0.1)	(0.3)	(0.4)
Federal funds purchased and security repurchase agreements	(0.3)	(0.4)	(0.7)	(1.6)	(2.6)	(4.2)
Other short-term borrowings	(1.3)	(3.5)	(4.8)	(2.6)	5.1	2.5
Long-term debt	(10.5)	(76.1)	(86.6)	(33.4)	238.8	205.4
Total borrowed funds	(12.4)	(80.1)	(92.5)	(37.7)	241.0	203.3
Total interest-bearing liabilities	(25.8)	(134.3)	(160.1)	(78.9)	53.6	(25.3)
Change in taxable-equivalent net interest income	$ (56.9)	$ 100.5	$ 43.6	$ (118.5)	$ (53.2)	$ (171.7)

[1] *Taxable-equivalent income used where applicable.*
[2] *Net of unearned income and fees. Loans include nonaccrual and restructured loans.*
In the analysis of interest changes due to volume and rate, changes due to the volume/rate variance are allocated to volume with the following exceptions: when volume and rate both increase, the variance is allocated proportionately to both volume and rate; when the rate increases and volume decreases, the variance is allocated to rate.

Table of Contents

Provisions for Credit Losses

The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the allowance for loan losses at an adequate level based upon the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments at an adequate level based upon the inherent risks associated with such commitments. In determining adequate levels of the allowance and reserve, we perform periodic evaluations of the Company s various portfolios, the levels of actual charge-offs, credit trends, and environmental factors. See Note 6 of the Notes to Consolidated Financial Statements and Credit Risk Management on page 67 for more information on how we determine the appropriate level for the allowance for loan and lease losses and the reserve for unfunded lending commitments.

The provision for loan losses for 2011 was $74.4 million compared to $852.1 million and $2,016.9 million for 2010 and 2009, respectively. The decrease in the provision during both 2011 and 2010 reflects an improvement in credit quality metrics, including lower levels of criticized and classified loans, lower realized loss rates in most loan segments, and lower balances in construction and land development loans, which declined by 35.0% and 37.0% during 2011 and 2010, respectively.

Net loan and lease charge-offs fell to $455.9 million in 2011, compared to $983.0 million in 2010 and $1,174.9 million in 2009. See Nonperforming Assets on page 75 and Allowance and Reserve for Credit Losses on page 78 for further details.

During 2011, the Company experienced improved credit quality of unfunded lending commitments and released $9.3 million from the related reserve, while it had released $4.7 million in 2010 and incurred $65.5 million of provision expense in 2009. From period to period, the expense related to the reserve for unfunded lending commitments may be subject to sizeable fluctuations due to changes in the timing and volume of loan commitments, originations, and funding, as well as fluctuations in credit quality and historical loss experience.

Although classified and nonperforming loan volumes continue to be elevated, most measures of credit quality continued to show significant improvement in 2011. The Company also experienced a decrease in special mention, classified, nonaccrual, and past due loans, as well as improvements in other credit metrics. Barring any significant economic downturn, we expect the Company s credit costs to remain low for the next several quarters. We also anticipate continued reductions in criticized and classified loans of most types, and continued reduction in net charge-offs for the next several quarters, compared to the elevated levels experienced from 2008 through 2011.

Noninterest Income

Noninterest income represents revenues the Company earns for products and services that have no interest rate or yield associated with them. For 2011, noninterest income was $481.8 million compared to $440.5 million in 2010 and $804.1 million in 2009.

Table of Contents

Schedule 5 presents a comparison of the major components of noninterest income for the past three years.

Schedule 5

NONINTEREST INCOME

(Amounts in millions)	2011	Percent change	2010	Percent change	2009
Service charges and fees on deposit accounts	$ 174.4	(12.7)%	$ 199.7	(6.1)%	$ 212.6
Other service charges, commissions and fees	169.5	2.5	165.3	5.6	156.5
Trust and wealth management income	26.7	(2.9)	27.5	(8.3)	30.0
Capital markets and foreign exchange	31.4	(16.5)	37.6	(25.2)	50.3
Dividends and other investment income	42.4	28.1	33.1	24.4	26.6
Loan sales and servicing income	28.1	(4.4)	29.4	31.8	22.3
Fair value and nonhedge derivative income (loss)	(5.0)	68.4	(15.8)	(113.9)	113.8
Equity securities gains (losses), net	6.5	208.3	(6.0)	(233.3)	(1.8)
Fixed income securities gains (losses), net	11.9	7.2	11.1	392.1	(3.8)
Impairment losses on investment securities:					
Impairment losses on investment securities	(77.3)	50.6	(156.5)	72.5	(569.9)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	43.6	(38.7)	71.1	(75.4)	289.4
Net impairment losses on investment securities	(33.7)	60.5	(85.4)	69.6	(280.5)
Valuation losses on securities purchased				100.0	(212.1)
Gain on subordinated debt modification				(100.0)	508.9
Gain on subordinated debt exchange		(100.0)	14.5	100.0	
Acquisition related gains				(100.0)	169.2
Other	29.6	0.3	29.5	143.8	12.1
Total	$ 481.8	9.4	$ 440.5	(45.2)	$ 804.1

Service charges and fees on deposit accounts decreased by $25.3 million or 12.7% from 2010, primarily due to a decline in nonsufficient-funds fees and a decrease in fees earned from business accounts. Service charges and fees on deposit accounts decreased by $12.9 million, or 6.1% between 2009 and 2010.

Other service charges, commissions, and fees, which are comprised of ATM fees, insurance commissions, bankcard merchant fees, debit card interchange fees, cash management fees, lending commitment fees, syndication and servicing fees and other miscellaneous fees increased by $4.2 million from the prior year. Most of the increase can be attributed to higher loan fees and fees earned from other banks customers using the Company s ATMs, partially offset by decreased debit card fees and remote capture licensing fees. The Company sold substantially all of the assets of its NetDeposit subsidiary in the third quarter of 2010, and therefore did not earn any licensing fees in 2011.

On June 29, 2011, the Federal Reserve voted to adopt regulations implementing the Durbin Amendment of the Dodd-Frank Act, which placed limits on debit card interchange fees charged by banks. The Durbin Amendment became effective in the fourth quarter of 2011 and resulted in an $8.0 million decrease in other service charges, commissions, and fees during that quarter. The Company estimates its current annualized rate of interchange bankcard fees to be approximately $30 million, a reduction from the $65 million earned before the enactment of the Durbin Amendment. The Company will reevaluate the pricing of other services in order to replace some of the lost revenue that resulted from the Durbin Amendment.

Other service charges, commissions and fees were $165.3 million in 2010 and $156.5 million in 2009. The increase was mainly due to increased loan, ATM, debit card, and bankcard fees, partially offset by decreased licensing fees and mutual fund commissions. The decrease in licensing fees was primarily attributable to the sale of NetDeposit s assets.

Table of Contents

Capital markets and foreign exchange includes trading income, public finance fees, foreign exchange income, and other capital market related fees. In 2011 this income was $31.4 million, compared to $37.6 million earned in the prior year. The decrease was caused mainly by lower income from trading fixed income corporate bonds and a reduction in consulting fees related to municipal bond transactions.

In 2010 capital markets and foreign exchange income decreased to $37.6 million from $50.3 million earned in 2009. Most of this decline was caused by decreases in commissions and trading income.

Dividends and other investment income consist of revenue from the Company s bank-owned life insurance program and revenues from other investments. Revenues from other investments include dividends on FHLB stock, Federal Reserve Bank stock, and earnings from unconsolidated affiliates including certain alternative venture investments. For 2011, this income increased by 28.1% from the $33.1 million earned during 2010. For the most part, the increase was caused by higher income from several unconsolidated affiliates, partially offset by decreased income from bank-owned life insurance contracts.

Dividends and other investment income increased by $6.5 million in 2010 compared to 2009. Most of this gain was caused by increased income from investments in several unconsolidated affiliates, and an increase in dividends on Federal Reserve stock, partially offset by decreased income from bank-owned life insurance contracts. Income from bank-owned life insurance decreased due to the Company surrendering certain life insurance contracts during 2010.

Fair value and nonhedge derivative income (loss) consists of the following:

Schedule 6

FAIR VALUE AND NONHEDGE DERIVATIVE INCOME (LOSS)

(Amounts in millions)	2011	Percent change	2010	Percent change	2009
Nonhedge derivative income	$ 6.8	(35.2)%	$ 10.5	(90.6)%	$ 111.9
Total return swap	(10.7)	53.1	(22.8)	(100.0)	
Fair value decreases on instruments elected under fair value option				100.0	(0.9)
Derivative fair value credit adjustments	(1.1)	68.6	(3.5)	(216.7)	3.0
Other				100.0	(0.2)
Total	$ (5.0)	68.4	$ (15.8)	(113.9)	$ 113.8

Losses from fair value and nonhedge derivatives decreased to $5.0 million in 2011 compared to a $15.8 million loss in the prior year. The decreased loss is primarily the result of smaller expenses related to the TRS agreement, partially offset by a decrease in income from Eurodollar futures.

During 2010, the Company terminated fewer cash flow hedges than in 2009. Nonhedge derivative income included $9.0 million in 2010 and $104.7 million in 2009 due to the acceleration of income from OCI to earnings for certain terminated cash flow hedges. The amount accelerated in 2009 was due to declining loan balances, which caused the reclassification to earnings of 100% of the OCI balances for many of the terminated hedges. There were fewer reclassifications in 2010. The Company also recorded $22.8 million of negative fair value on the TRS agreement entered into during the third quarter of 2010. For information regarding the TRS agreement, refer to Note 8 of the Notes to Consolidated Financial Statements.

During 2011, the Company recorded $6.5 million in equity securities gains, compared to losses of $6.0 million and $1.8 million in 2010 and 2009, respectively. The gains recognized in 2011 were principally due to the sale of BServ, Inc. stock, which the Company had acquired in September 2010 when it sold the assets of its NetDeposit subsidiary. The loss incurred in 2010 was primarily caused by valuation losses related to venture fund investments.

The Company recognized net credit related impairment losses on CDO investment securities of $33.7 million, $85.4 million, and $280.5 million in 2011, 2010, and 2009, respectively. See Investment Securities Portfolio on page 52 for additional information.

Valuation losses on securities purchased in 2009 consisted of $187.9 million from purchases of securities from Lockhart, prior to fully consolidating Lockhart in June 2009, and $24.2 million for valuation adjustments to auction rate securities which were purchased from customers during the first quarter of 2009.

In 2009, the Company recorded a gain on subordinated debt modification of $508.9 million. The Company exchanged approximately $200 million of subordinated notes for new notes with the same terms. The remaining $1.2 billion of subordinated notes were modified to permit conversion on a par for par basis into either the Company s Series A or Series C preferred stock.

During 2010, the Company exchanged $55.6 million of nonconvertible subordinated debt for 2,165,391 shares of common stock, resulting in a $14.5 million gain.

Acquisition related gains of $169.2 million in 2009 resulted from the Company s acquisition of failed banks from the FDIC with loss sharing agreements. The Company recognized $146.5 million of gains resulting from the acquisition of Vineyard Bank, acquired from the FDIC on July 17, 2009. The remaining $22.7 million of acquisition related gains were from the acquisitions of the failed Alliance Bank on February 6, 2009 by CB&T and Great Basin Bank on April 17, 2009 by NSB. The gains resulted from the acquisition of assets that had fair values in excess of the fair value of liabilities assumed.

Other noninterest income was $29.6 million, $29.5 million and $12.1 million in 2011, 2010, and 2009, respectively. Most of the 2011 income is attributable to amounts received from the FDIC on certain acquired loans which were determined to be covered by the loss sharing agreement. In September 2010, the Company sold substantially all of the assets of a wholly-owned subsidiary, NetDeposit, resulting in a $13.7 million pretax gain.

Noninterest Expense

Noninterest expense decreased by 3.5% from 2010; this expense was 2.8% higher in 2010 than in 2009. During 2011, the Company made significant progress in resolving problem loans and improving the credit quality of its loan portfolio, which caused significantly lower other real estate expense and credit related expense. The improved credit quality also resulted in a reduction of FDIC premiums. Schedule 7 presents a comparison of the major components of noninterest expense for the past three years.

Table of Contents

Schedule 7

NONINTEREST EXPENSE

(Amounts in millions)	2011	Percent change	2010	Percent change	2009
Salaries and employee benefits	$ 874.3	5.9 %	$ 825.3	0.8%	$ 818.8
Occupancy, net	112.5	(1.0)	113.6	1.2	112.2
Furniture and equipment	105.7	4.5	101.1	1.2	99.9
Other real estate expense	77.6	(46.4)	144.8	30.7	110.8
Credit related expense	61.6	(13.5)	71.2	58.2	45.0
Provision for unfunded lending commitments	(9.3)	(97.9)	(4.7)	(107.2)	65.5
Legal and professional services	39.0	(1.3)	39.5	6.2	37.2
Advertising	27.2	9.7	24.8	7.8	23.0
FDIC premiums	63.9	(37.4)	102.0	1.5	100.5
Amortization of core deposit and other intangibles	20.1	(21.2)	25.5	(19.6)	31.7
Other	286.1	3.7	275.8	21.6	226.9
Total	$ 1,658.7	(3.5)	$ 1,718.9	2.8	$ 1,671.5

Salary and bonus expense increased by 3.4% from the prior year. Most of the increase during 2011 is due to higher base salary and bonus expenses, which resulted from the hiring of additional staff necessary to meet new regulatory reporting requirements and the Company s improved financial performance. Salary expense for 2011 included share-based compensation expense of approximately $29.0 million. Retirement expenses and the cost of employee health and other insurance benefits also increased, mostly due to higher retirement related accruals.

During 2010, salary costs increased by 2.5% compared to 2009. Base salaries remained constant but the Company s employees earned higher bonuses and incentives. The salary costs for 2010 and 2009 included share-based compensation expense of approximately $26.8 million and $29.8 million, respectively. Employee health and insurance benefits declined by 17.1% in 2010 compared to 2009, mostly due to a reduction in the accrual for incurred-but-not-reported health care claims.

Salaries and employee benefits are shown in greater detail in Schedule 8.

Schedule 8

SALARIES AND EMPLOYEE BENEFITS

(Dollar amounts in millions)	2011	Percent change	2010	Percent change	2009
Salaries and bonuses	$ 733.7	3.4%	$ 709.5	2.5%	$ 692.3
Employee benefits:					
Employee health and insurance	49.1	13.9	43.1	(17.1)	52.0
Retirement	42.5	58.0	26.9	(10.3)	30.0
Payroll taxes and other	49.0	7.0	45.8	2.9	44.5
Total benefits	140.6	21.4	115.8	(8.5)	126.5
Total salaries and employee benefits	$ 874.3	5.9	$ 825.3	0.8	$ 818.8

Full-time equivalent employees at December 31,	10,606	0.8	10,524	10,529

Furniture and equipment expense increased in 2011 by 4.5% from the prior year. This increase was mostly due to higher software and computer equipment maintenance costs. During 2010, furniture and equipment costs grew by only 1.2% from 2009.

Table of Contents

Other real estate expense decreased by 46.4% in 2011 compared to 2010. The decrease is primarily driven by a 48.9% reduction in OREO balances between these two years, lower write-downs of OREO values during work-out, as well as larger net gains from OREO property sales. OREO expenses decreased at Zions Bank, NSB, NBA, Amegy, and CB&T, but increased slightly at Vectra.

Other real estate expense increased to $144.8 million in 2010 compared to $110.8 million in 2009. The increase is primarily due to higher volumes of foreclosed properties added to OREO, and continued declines in real estate values, which resulted in increased write-downs of OREO during work-out, partially offset by an increase in net gains from some property sales.

Credit related expense includes costs incurred during the foreclosure process prior to the Company obtaining title to collateral and recording an asset in OREO, as well as other out-of-pocket costs related to the management of problem loans and other assets. These costs were 13.5% lower in 2011 than in 2010, mainly due to a reduction in collection and foreclosure costs. Credit related expenses were $71.2 million in 2010 compared to $45.0 million in 2009. This increase was a reflection of the Company s higher levels of problem loans and its efforts to resolve them.

FDIC premiums for 2011 decreased by 37.4% compared to 2010. The decrease is mostly caused by the change in the premium assessment formulas prescribed by the FDIC. FDIC premiums were essentially unchanged between 2009 and 2010.

Other noninterest expense for 2011 increased by 3.7% compared to 2010, primarily as a result of a write-down of the FDIC indemnification asset attributable to loans purchased from the FDIC in 2009. FDIC-supported loans continued to perform better than expected, and therefore the indemnification asset declined in value.

In 2010, other noninterest expense was $275.8 million compared to $226.9 million in 2009. The increase was mostly caused by a one-time structuring fee related to the TRS transaction, and write-downs of the FDIC indemnification asset. Also, during 2010 the Company accrued $8.0 million for an expected non-tax deductible civil money penalty related to alleged violations of the Bank Secrecy Act expected to be assessed by the OCC and the U.S. Treasury Department s FinCEN bureau. A penalty of this amount was announced by the OCC and FinCEN on February 11, 2011.

Impairment Loss on Goodwill

The Company performed a goodwill impairment analysis in the fourth quarter of 2011, and concluded that it had not experienced any impairment loss. No impairment loss was incurred in 2010. In 2009, the Company recorded $636.2 million of impairment losses, almost entirely at Amegy.

The primary causes of the impairment losses on goodwill in 2009 at the Company s banking reporting units were declines in market values of comparable companies and reduced earnings at the reporting units, which resulted primarily from deterioration in credit quality of the loan portfolios. See Note 10 of the Notes to Consolidated Financial Statements and Accounting for Goodwill on page 30 for additional information.

Foreign Operations

Zions Bank and Amegy operate foreign branches in Grand Cayman, Grand Cayman Islands, B.W.I. The branches only accept deposits from qualified domestic customers. While deposits in these branches are not subject to FRB reserve requirements, there are no federal or state income tax benefits to the Company or any customers as a result of these operations.

Foreign deposits at December 31, 2011, 2010, and 2009, totaled $1.6 billion, $1.7 billion, $1.7 billion, respectively, and averaged $1.5 billion for 2011, $1.6 billion for 2010, and $2.0 billion for 2009. All of these foreign deposits were related to domestic customers of our subsidiary banks.

Table of Contents

Income Taxes

The Company s income tax expense for 2011 was $198.6 million compared to an income tax benefit of $106.8 million and $401.3 million for 2010 and 2009, respectively. The Company s effective income tax rates, including the effects of noncontrolling interests, were 38.0% in 2011, 26.7% in 2010 and 24.8% in 2009. The tax expense rate for 2011 was reduced by nontaxable municipal interest income and nontaxable income from certain bank-owned life insurance. This rate reduction was mostly offset by the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock during the year. The tax benefit rate for 2010 was reduced by the taxable surrender of certain bank-owned life insurance policies and the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock. The lower tax benefit rate for 2009 was mainly due to nondeductible goodwill impairment charges incurred during the year.

As discussed in previous filings, the Company has received federal income tax credits under the U.S. Government s Community Development Financial Institutions Fund that are recognized over a seven-year period from the year of investment. The effect of these tax credits provided an income tax benefit of $2.4 million in 2011, $6.0 million in 2010, and $5.9 million in 2009.

The Company had a net DTA balance of approximately $509 million at December 31, 2011, compared to $540 million at December 31, 2010. The decrease in the net DTA resulted primarily from items related to nonaccruing loans and OREO. This decrease was offset by an increase in DTAs from fair value adjustments or impairment write-downs related to securities and an increase in unfunded pension obligations. The net decrease in DTA was also offset by a decrease in deferred tax liabilities related to FDIC-supported transactions and the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock. The Company did not record any additional valuation allowance for GAAP purposes as of December 31, 2011. See Note 15 of the Notes to Consolidated Financial Statements and Critical Accounting Policies and Significant Estimates on page 28 for more information.

BUSINESS SEGMENT RESULTS

The Company manages its banking operations and prepares management reports with a primary focus on its subsidiary banks and the geographies in which they operate. As discussed in the Executive Summary, most of the lending and other decisions affecting customers are made at the local level. Each subsidiary bank holds its own banking charter. Those with national bank charters are subject to regulatory oversight by the OCC. Those with state charters are overseen by the FDIC and applicable state authorities. In addition to its banking businesses, the Company has an Other segment, which includes the Parent, ZMSC, TCBO, and nonbank financial service subsidiaries. These entities are not considered significant to the Company as a whole.

The accounting policies of the individual segments are the same as those of the Company. The Company allocates the cost of centrally provided services to the business segments based upon estimated or actual usage of those services. Note 22 of the Notes to Consolidated Financial Statements contains selected information from the respective balance sheets and statements of income for all segments.

Table of Contents

Schedule 9

SELECTED SEGMENT INFORMATION

ar amounts in millions)	Zions Bank 2011	Zions Bank 2010	Zions Bank 2009	CB&T 2011	CB&T 2010	CB&T 2009	Amegy 2011	Amegy 2010	Amegy 2009	NBA 2011	NBA 2010	NBA 2009
FINANCIAL INFORMATION												
assets	$ 17,531	$ 16,157	$ 17,652	$ 10,894	$ 10,766	$ 11,097	$ 12,282	$ 11,406	$ 11,145	$ 4,485	$ 4,397	$ 4,5
deposits	14,905	13,631	13,823	9,192	9,219	9,760	9,731	8,906	8,880	3,731	3,696	3,7
ncome (loss) applicable to olling interest	150.5	(48.4)	(202.9)	134.4	58.8	(50.2)	161.6	58.6	(780.4)	25.5	(7.9)	(144
nterest margin	4.65%	4.39%	3.68%	5.20%	5.04%	4.88%	3.91%	3.98%	3.90%	4.14%	4.30%	3.
K-BASED CAPITAL RATIOS												
l leverage	11.59%	10.43%	8.84%	10.96%	9.94%	8.81%	14.41%	13.84%	11.79%	13.65%	12.71%	11.
l risk-based capital	13.37%	11.66%	10.29%	13.81%	12.40%	10.25%	15.99%	15.60%	12.29%	17.71%	16.90%	14.
risk-based capital	14.61%	12.88%	11.52%	15.08%	13.68%	11.51%	17.26%	16.89%	13.57%	18.98%	18.19%	15.
DIT QUALITY												
sion for loan losses	$ 128.3	$ 350.6	$ 400.4	$ (9.5)	$ 149.9	$ 251.5	$ (37.5)	$ 118.7	$ 406.1	$ 9.6	$ 53.4	$ 291
oan and lease charge-offs	179.5	321.8	255.1	53.9	152.0	144.4	71.4	157.9	143.2	54.4	111.8	214
of net charge-offs to average and leases	1.41%	2.39%	1.77%	0.65%	1.77%	1.65%	0.92%	2.02%	1.65%	1.66%	3.33%	5.
vance for loan losses	$ 336	$ 388	$ 359	$ 186	$ 258	$ 223	$ 231	$ 340	$ 379	$ 98	$ 143	$ 2
of allowance for loan losses to net and leases, at year-end	2.64%	3.01%	2.57%	2.22%	3.05%	2.50%	2.91%	4.55%	4.58%	2.96%	4.36%	5.
performing lending-related assets	$ 287.6	$ 563.0	$ 772.7	$ 198.9	$ 273.6	$ 657.7	$ 248.4	$ 409.2	$ 549.5	$ 130.1	$ 209.9	$ 320
of nonperforming lending-related s to net loans and leases and other estate owned	2.23%	4.31%	5.45%	2.36%	3.22%	7.28%	3.11%	5.40%	6.52%	3.89%	6.22%	8.
uing loans past due 90 days or	$ 5.1	$ 8.9	$ 53.0	$ 79.8	$ 123.3	$ 67.8	$ 4.8	$ 7.8	$ 14.4	$ 3.9	$ 1.6	$ 14
of accruing loans past due 90 or more to net loans and leases	0.04%	0.07%	0.38%	0.95%	1.46%	0.76%	0.06%	0.10%	0.17%	0.12%	0.05%	0.

48

Table of Contents

	NSB 2011	NSB 2010	NSB 2009	Vectra 2011	Vectra 2010	Vectra 2009	TCBW 2011	TCBW 2010	TCBW 2009
KEY FINANCIAL INFORMATION									
Total assets	$ 4,100	$ 4,017	$ 4,187	$ 2,341	$ 2,299	$ 2,440	$ 874	$ 850	$ 835
Total deposits	3,546	3,424	3,526	2,004	1,923	2,005	693	662	632
Net income (loss) applicable to controlling interest	46.6	(70.3)	(352.0)	(10.1)	6.6	(25.6)	2.7	(0.5)	1.6
Net interest margin	3.41%	3.60%	3.50%	4.92%	5.02%	4.52%	3.61%	3.84%	4.06%
RISK-BASED CAPITAL RATIOS									
Tier 1 leverage	11.70%	12.66%	13.10%	11.01%	12.05%	10.91%	10.10%	10.62%	10.57%
Tier 1 risk-based capital	21.58%	21.12%	18.71%	12.52%	12.55%	10.93%	13.63%	12.90%	12.60%
Total risk-based capital	22.89%	22.48%	20.07%	13.79%	13.83%	12.21%	14.90%	14.16%	13.86%
CREDIT QUALITY									
Provision for loan losses	$ (38.3)	$ 133.3	$ 563.7	$ 14.0	$ 28.2	$ 78.5	$ 7.8	$ 17.4	$ 22.5
Net loan and lease charge-offs	55.1	190.5	368.7	32.5	32.3	31.8	9.0	15.7	15.3
Ratio of net charge-offs to average loans and leases	2.32%	7.48%	11.94%	1.77%	1.72%	1.57%	1.55%	2.72%	2.59%
Allowance for loan losses	$ 132	$ 226	$ 280	$ 51	$ 70	$ 74	$ 14	$ 15	$ 13
Ratio of allowance for loan losses to net loans and leases, at year-end	5.89%	9.42%	10.17%	2.67%	3.84%	3.72%	2.49%	2.65%	2.32%
Nonperforming lending-related assets	$ 114.7	$ 250.6	$ 333.4	$ 70.7	$ 100.3	$ 105.9	$ 12.0	$ 20.9	$ 29.5
Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned	5.07%	10.31%	11.88%	3.61%	5.44%	5.29%	2.12%	3.64%	5.09%
Accruing loans past due 90 days or more	$ 0.1	$ 0.2	$ 12.5	$ 0.1	$ 0.2	$ 1.4	$	$	$
Ratio of accruing loans past due 90 days or more to net loans and leases	0.01%	0.01%	0.45%		0.01%	0.07%			

The above amounts do not include intercompany eliminations.

Zions Bank

Zions Bank is headquartered in Salt Lake City, Utah and is primarily responsible for conducting the Company s operations in Utah and Idaho. Zions Bank is the 3rd largest full-service commercial bank in Utah and the 3rd largest in Idaho, as measured by domestic deposits in these states. Zions Bank includes most of the Company s Capital Markets operations, which include Zions Direct, Inc., fixed income securities trading, correspondent banking, public finance, trust and investment advisory services, and Western National Trust Company.

The net interest margin increased substantially to 4.65% in 2011 from 4.39% in 2010. Nonperforming lending-related assets decreased 48.9% from the prior year due to extensive efforts to work out problem loans and to sell OREO properties. Additionally, the higher credit quality of loans originated since the beginning of the financial crisis also contributed to the higher credit quality of the portfolio.

The loan portfolio decreased by $146 million during 2011, which included a $199 million decrease in commercial real estate loans, a $37 million decrease in consumer loans, partially offset by a $90 million increase in commercial loans. Accruing loans past due 90 days or more at December 31, 2011 decreased to $5 million from $9 million a year earlier. Total deposits at December 31, 2011 were 9.35% higher than at December 31, 2010.

California Bank & Trust

California Bank & Trust is the 14th largest full-service commercial bank in California as measured by domestic deposits in the state.

CB&T s core business is built on relationship banking by providing commercial, real estate and consumer lending, depository services, international banking, cash management, and community development services. In 2009, CB&T acquired certain assets and liabilities of Alliance Bank and Vineyard Bank from the FDIC as receiver of these failed banks. The loans and other real estate acquired are covered by loss sharing agreements with the FDIC.

Table of Contents

During both 2011 and 2010, CB&T s net interest margin exceeded our other subsidiary banks. For both years the better-than-expected performance of the acquired loans from the failed banks contributed to CB&T s profitability. In 2011, CB&T was able to significantly reduce its nonperforming lending-related assets, which declined 27.3% from the prior year. Total deposits were virtually unchanged from December 31, 2010.

Excluding the impact of FDIC-supported loans, the loan portfolio increased by $157 million from the prior year. In 2011, consumer loans increased $153 million and commercial real estate loans increased $124 million, offset by a $120 million decrease in commercial lending. FDIC-supported loans declined by $206 million in 2011. The balance of FDIC-supported loans declines over time as the portfolio matures, and no additional loans have been purchased since the 2009 acquisitions. The credit quality of CB&T s loan portfolio improved during 2011, resulting in a 64.5% reduction in net loan and lease charge-offs.

Amegy Corporation

Amegy is headquartered in Houston, Texas and operates Amegy Bank, Amegy Mortgage Company, Amegy Investments, and Amegy Insurance Agency. Amegy Bank is the 8th largest full-service commercial bank in Texas as measured by domestic deposits in the state.

Over the past three years, Amegy has been able to maintain a relatively constant net interest margin and achieved profitability in 2011 and 2010 after experiencing a loss in 2009 primarily due to a goodwill impairment charge. Nonperforming lending-related assets decreased by 39.3% from the prior year. Total deposits increased from 2010 by 9.3%, driven by higher balances in business customers accounts. During 2011, Amegy s loan portfolio increased by $457 million. Commercial loans grew by $962 million and consumer loans increased by $179 million, offset by a $684 million decrease in commercial real estate loans.

National Bank of Arizona

National Bank of Arizona is the 5th largest full-service commercial bank in Arizona as measured by domestic deposits in the state.

NBA had net income of $25.5 million in 2011 after posting a net loss of $7.9 million in 2010. Nonperforming lending-related assets decreased by 38.0% from the prior year. During 2011, the loan portfolio grew by $29 million. Increases in commercial lending and commercial real estate loans of $70 million and $14 million, respectively, were partially offset by a $55 million decrease in consumer loans. Total deposits were essentially unchanged from the prior year.

Nevada State Bank

Nevada State Bank is the 4th largest full-service commercial bank in Nevada as measured by domestic deposits in the state. NSB focuses on serving small and mid-sized businesses as well as retail consumers, with an emphasis in relationship banking.

The markets in which NSB operates are dependent on tourism and construction, and were severely impacted by the recent recession. At December 31, 2011, Nevada s unemployment rate was the highest in the nation, and its housing market continued to suffer from a high rate of foreclosures. Despite economic challenges in the local market, many of NSB s results improved over the previous year. In 2011, NSB had net income of $46.6 million compared to a net loss of $70.3 million in 2010. Net loan and lease charge-offs declined 71.1%, and nonperforming lending-related assets by 54.2%. Deposits increased 3.6% and the net interest margin decreased 19 bps from the prior year.

During 2011, NSB s commercial real estate and commercial lending portfolios contracted by $260 million and $10 million, respectively, but was partially offset by a $122 million increase in consumer loans.

Vectra Bank Colorado

Vectra Bank Colorado, N.A. is the 10th largest full-service commercial bank in Colorado as measured by domestic deposits in the state.

Vectra had a net interest margin of 4.92% in 2011 compared to 5.02% in 2010, while the balance of outstanding loans increased during the year. Increases in consumer loans of $67 million and commercial real estate loans of $47 million were partially offset by a $10 million decline in commercial lending. Nonperforming lending-related assets decreased 29.5% from the prior year and the provision for loan losses decreased 50.4%. Total deposits at December 31, 2011 were 4.2% higher than a year earlier.

The Commerce Bank of Washington

The Commerce Bank of Washington is headquartered in Seattle, Washington, and operates out of a single office located in the Seattle central business district. Its business strategy focuses on serving the financial needs of commercial businesses, including professional services firms. TCBW has been successful in serving the greater Seattle/Puget Sound region without requiring extensive investments into a traditional branch network. It has been innovative in effectively utilizing couriers, bank by mail, remote deposit image capture, and other technologies.

TCBW had net income of $2.7 million in 2011, following a net a loss of $0.5 million in 2010. Nonperforming lending-related assets decreased 42.6% and the provision for loan losses decreased 55.2% from the prior year. The commercial lending portfolio increased by $22 million, but commercial real estate loans decreased by $11 million and consumer loans decreased by $21 million. Total deposits were 4.7% higher at December 31, 2011 than a year earlier.

BALANCE SHEET ANALYSIS

Interest-Earning Assets

Interest-earning assets are those assets that have interest rates or yields associated with them. One of our goals is to maintain a high level of interest-earning assets relative to total assets, while keeping nonearning assets at a minimum. Interest-earning assets consist of money market investments, securities, loans, and leases. Schedule 3, which we referred to in our discussion of net interest income, includes the average balances of the Company s interest earning assets, the amount of revenue generated by them, and their respective yields. Another of our goals is to maintain a higher-yielding mix of interest earning assets, such as loans, relative to lower-yielding assets, such as money market investments and securities, while maintaining adequate levels of highly liquid assets. The current period of slow economic growth, accompanied by the low loan demand experienced in recent quarters, has made it difficult to consistently achieve these goals due to higher levels of deposit funding that cannot be deployed in other than low-yielding, liquid assets.

Average interest-earning assets were $47.1 billion for 2011 compared to $46.9 billion for 2010. Average interest-earning assets as a percentage of total average assets was 91.6% for 2011 compared to 90.8% for 2010.

Average money market investments, consisting of interest-bearing deposits, federal funds sold, and security resell agreements grew by 31.1% to $5.4 billion in 2011 compared to $4.1 billion in 2010. Average securities increased by 9.8% during 2011. Average total deposits decreased by 1.1% while average net loans and leases decreased by 3.8% for 2011 compared to 2010. The increases in average money market investments and average securities are a reflection of the fact that loan balances have decreased at a faster pace than the net decrease in customer deposits and other funding sources.

Chart 5 illustrates recent trends in loan and deposit balances.

Investment Securities Portfolio

We invest in securities to generate revenues for the Company; portions of the portfolio are also available as a source of liquidity. The following schedules present a profile of the Company s investment securities portfolio with asset-backed securities classified by credit ratings. The amortized cost amounts represent the Company s original cost for the investments, adjusted for accumulated amortization or accretion of any yield adjustments related to the security, and credit impairment losses. The estimated fair value measurement levels and methodology are discussed in detail in Note 21 of the Notes to Consolidated Financial Statements.

Schedules 10 and 11 present the Company s asset-backed securities, classified by the highest of the ratings and the lowest of the ratings, respectively, from any of Moody s Investors Service, Fitch Ratings or Standard & Poors.

In the discussion of our investment portfolio that follows, we have included certain credit rating information, because that information is one indication of the degree of credit risk to which we are exposed, and significant declines in ratings for our investment portfolio could indicate an increased level of risk for the Company. The Dodd-Frank Act requires that the use of rating agency ratings cannot be mandated by any federal agency for any purpose after July 21, 2011. However, regulations implementing this requirement have not yet been finalized, and therefore the Company cannot assess the impact, if any, this new requirement will have on the regulatory treatment of the Company s investment securities, or when this might occur.

Table of Contents

Schedule 10

INVESTMENT SECURITIES PORTFOLIO

ASSET-BACKED SECURITIES CLASSIFIED AT HIGHEST CREDIT RATING*

AT DECEMBER 31, 2011

(In millions)	Par value	Amortized cost	Net unrealized gains (losses) recognized in OCI [1]	Carrying value	Net unrealized gains (losses) not recognized in OCI [1]	Estimated fair value
Held-to-maturity:						
Municipal securities	$ 567	$ 565	$	$ 565	$ 7	$ 572
Asset-backed securities:						
Trust preferred securities predominantly bank						
Noninvestment grade	57	57	(6)	51	(34)	17
Noninvestment grade OTTI/PIK[2] d	31	30	(21)	9		9
	88	87	(27)	60	(34)	26
Trust preferred securities predominantly insurance						
Noninvestment grade	176	176	(14)	162	(44)	118
	176	176	(14)	162	(44)	118
Other						
Noninvestment grade	19	18		18	(7)	11
Noninvestment grade OTTI/PIK[2] d	11	6	(3)	3		3
	30	24	(3)	21	(7)	14
	861	852	(44)	808	(78)	730
Available-for-sale:						
U.S. Treasury securities	5	4	1	5		5
U.S. Government agencies and corporations:						
Agency securities	153	153	5	158		158
Agency guaranteed mortgage-backed securities	518	535	18	553		553
Small Business Administration loan-backed securities	1,065	1,153	8	1,161		1,161
Municipal securities	123	121	1	122		122
Asset-backed securities:						
Trust preferred securities predominantly bank						
AAA rated	4	4		4		4
AA rated	69	48	1	49		49
A rated	271	219	(6)	213		213
BBB rated	172	167	(60)	107		107
Noninvestment grade	383	350	(159)	191		191
Noninvestment grade OTTI/PIK [2]d	971	702	(552)	150		150
	1,870	1,490	(776)	714		714
Trust preferred securities predominantly insurance						
AA rated	59	54		54		54
A rated	32	31	(4)	27		27

Noninvestment grade	188	188	(72)	116		116
Noninvestment grade OTTI/PIK[2]d	6	6	(3)	3		3
	285	279	(79)	200		200
Trust preferred securities single banks						
Not rated	25	25	(9)	16		16
	25	25	(9)	16		16
Trust preferred securities real estate investment trusts						
Noninvestment grade	25	16	(2)	14		14
Noninvestment grade OTTI/PIK[2]d	45	24	(19)	5		5
	70	40	(21)	19		19
Auction rate securities						
AAA rated	76	71	(1)	70		70
	76	71	(1)	70		70
Other						
AAA rated	7	6	1	7		7
AA rated	11	11	(5)	6		6
A rated	25	25		25		25
Noninvestment grade	5	4	(1)	3		3
Noninvestment grade OTTI/PIK[2]d	48	19	(10)	9		9
	96	65	(15)	50		50
	4,286	3,936	(868)	3,068		3,068
Mutual funds and other	163	163		163		163
	4,449	4,099	(868)	3,231		3,231
Total	$ 5,310	$ 4,951	$ (912)	$ 4,039	$ (78)	$ 3,961

* *Ratings categories include entire range. For example, A rated includes A+, A and A-. Split rated securities with more than one rating are categorized at the highest rating level.*

[1] *Other comprehensive income. All amounts reported are pretax.*

[2] *Consists of securities determined to have OTTI and/or securities whose interest payment was capitalized as opposed to being paid in cash, as permitted under the terms of the security. This capitalization feature is known as Payment In Kind (PIK) and where exercised the security is called PIK d.*

Table of Contents

Schedule 11

INVESTMENT SECURITIES PORTFOLIO

ASSET-BACKED SECURITIES CLASSIFIED AT LOWEST CREDIT RATING*

AT DECEMBER 31, 2011

(In millions)	Par value	Amortized cost	Net unrealized gains (losses) recognized in OCI[1]	Carrying value	Net unrealized gains (losses) not recognized in OCI[1]	Estimated fair value
Held-to-maturity:						
Municipal securities	$ 567	$ 565	$	$ 565	$ 7	$ 572
Asset-backed securities:						
Trust preferred securities predominantly bank						
Noninvestment grade	57	57	(6)	51	(34)	17
Noninvestment grade OTTI/PIK[2] d	31	30	(21)	9		9
	88	87	(27)	60	(34)	26
Trust preferred securities predominantly insurance						
Noninvestment grade	176	176	(14)	162	(44)	118
	176	176	(14)	162	(44)	118
Other						
Noninvestment grade	19	18		18	(7)	11
Noninvestment grade OTTI/PIK[2] d	11	6	(3)	3		3
	30	24	(3)	21	(7)	14
	861	852	(44)	808	(78)	730
Available-for-sale:						
U.S. Treasury securities	5	4	1	5		5
U.S. Government agencies and corporations:						
Agency securities	153	153	5	158		158
Agency guaranteed mortgage-backed securities	518	535	18	553		553
Small Business Administration loan-backed securities	1,065	1,153	8	1,161		1,161
Municipal securities	123	121	1	122		122
Asset-backed securities:						
Trust preferred securities predominantly bank						
A rated	69	48	1	49		49
Noninvestment grade	830	740	(225)	515		515
Noninvestment grade OTTI/PIK[2] d	971	702	(552)	150		150
	1,870	1,490	(776)	714		714
Trust preferred securities predominantly insurance						
AA rated	55	50		50		50
A rated	4	4		4		4
Noninvestment grade	220	219	(76)	143		143
Noninvestment grade OTTI/PIK[2] d	6	6	(3)	3		3

	285	279	(79)	200		200
Trust preferred securities single banks						
Not rated	25	25	(9)	16		16
	25	25	(9)	16		16
Trust preferred securities real estate investment trusts						
Noninvestment grade	25	16	(2)	14		14
Noninvestment grade OTTI/PIK[2] d	45	24	(19)	5		5
	70	40	(21)	19		19
Auction rate securities						
AAA rated	76	71	(1)	70		70
	76	71	(1)	70		70
Other						
AAA rated	6	5	1	6		6
AA rated	11	11	(5)	6		6
A rated	26	26		26		26
Noninvestment grade	5	4	(1)	3		3
Noninvestment grade OTTI/PIK[2] d	48	19	(10)	9		9
	96	65	(15)	50		50
	4,286	3,936	(868)	3,068		3,068
Mutual funds and other	163	163		163		163
	4,449	4,099	(868)	3,231		3,231
Total	$ 5,310	$ 4,951	$ (912)	$ 4,039	$ (78)	$ 3,961

* *Ratings categories include entire range. For example, A rated includes A+, A and A-. Split rated securities with more than one rating are categorized at the lowest rating level.*

[1] *Other comprehensive income. All amounts reported are pretax.*

[2] *Consists of securities determined to have OTTI and/or securities whose interest payment was capitalized as opposed to being paid in cash, as permitted under the terms of the security. This capitalization feature is known as Payment In Kind (PIK) and where exercised the security is called PIK d.*

54

Table of Contents

Schedule 12

INVESTMENT SECURITIES PORTFOLIO

(In millions)	December 31, 2011 Amortized cost	December 31, 2011 Carrying value	December 31, 2011 Estimated fair value	December 31, 2010 Amortized cost	December 31, 2010 Carrying value	December 31, 2010 Estimated fair value	December 31, 2009 Amortized cost	December 31, 2009 Carrying value	December 31, 2009 Estimated fair value
Held-to-maturity:									
Municipal securities	$ 565	$ 565	$ 572	$ 578	$ 578	$ 582	$ 606	$ 606	$ 609
Asset-backed securities:									
Trust preferred securities banks and insurance	263	222	144	263	239	189	265	239	208
Other	24	21	14	28	24	17	30	25	16
	$ 852	$ 808	$ 730	$ 869	$ 841	$ 788	$ 901	$ 870	$ 833
Available-for-sale:									
U.S. Treasury securities	$ 4	$ 5	$ 5	$ 705	$ 706	$ 706	$ 26	$ 26	$ 26
U.S. Government agencies and corporations:									
Agency securities	153	158	158	201	208	208	243	249	249
Agency guaranteed mortgage-backed securities	535	553	553	566	576	576	374	385	385
Small Business Administration loan-backed securities	1,153	1,161	1,161	867	868	868	782	768	768
Municipal securities	121	122	122	156	158	158	237	242	242
Asset-backed securities:									
Trust preferred securities banks and insurance	1,794	930	930	1,947	1,243	1,243	2,023	1,361	1,361
Trust preferred securities real estate investment trusts	40	19	19	46	19	19	56	24	24
Auction rate securities	71	70	70	111	110	110	160	160	160
Other	65	50	50	103	81	81	127	77	77
	3,936	3,068	3,068	4,702	3,969	3,969	4,028	3,292	3,292
Mutual funds and other	163	163	163	237	237	237	364	364	364
	4,099	3,231	3,231	4,939	4,206	4,206	4,392	3,656	3,656
Total	$ 4,951	$ 4,039	$ 3,961	$ 5,808	$ 5,047	$ 4,994	$ 5,293	$ 4,526	$ 4,489

The amortized cost of investment securities on December 31, 2011 decreased by 14.8% from the balances on December 31, 2010, primarily due to the sale of investments in U.S. Treasury securities and reductions in asset-backed securities, partially offset by increased investments in SBA loan-backed securities.

The amortized cost of investment securities at December 31, 2010 increased by 9.7% from the previous year. This was primarily due to increased investments in short-term U.S. Treasury securities, agency guaranteed mortgage-backed securities, and Small Business Administration loan-backed securities, partially offset by decreased investments in auction rate securities, mutual funds and other, as well as municipal securities.

As of December 31, 2011, 5.0% of the $3.2 billion fair value of available-for-sale securities portfolio was valued at Level 1, 61.6% was valued at Level 2, and 33.4% was valued at Level 3 under the GAAP fair value accounting valuation hierarchy. As of December 31, 2010 the fair value of available-for-sale securities totaled $4.2 billion, of which 22.2% was valued at Level 1, 43.0% at Level 2, and 34.8% at Level 3. See Note 21 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

The amortized cost of available-for-sale investment securities valued at Level 3 was $1,983 million at December 31, 2011 and the fair value of these securities was $1,079 million. The securities valued at Level 3 were comprised of ABS CDOs and auction rate securities. For these Level 3 securities, net pretax unrealized loss recognized in OCI at the end of 2011 was $904 million. As of December 31, 2011, we believe that we will receive on settlement or maturity at least the amortized cost amounts of the Level 3 available-for-sale securities. This expectation applies to both those securities for which OTTI has been recognized and those for which no OTTI has been recognized.

Table of Contents

Valuation Sensitivity of Level 3 Bank and Insurance CDOs

The following schedule sets forth the sensitivity of the current CDO fair values, using an internal model, to changes in the most significant assumptions utilized in the model.

Schedule 13

SENSITIVITY OF INTERNAL MODEL

(Amounts in millions)		Bank and insurance CDOs at Level 3			
		Held-to-maturity		Available-for-sale	
Fair value balance at December 31, 2011		$ 144		$ 910	
Currently Modeled Assumptions		**Incremental**	**Cumulative**	**Incremental**	**Cumulative**
Expected collateral credit losses[1]					
Loss percentage from currently defaulted or deferring collateral[2]			4.3%		20.0%
Projected loss percentage from currently performing collateral					
1-year		0.3%	4.6%	0.4%	20.4%
years 2-5		1.7%	6.3%	1.3%	21.7%
years 6-30		11.0%	17.3%	9.2%	30.9%
Discount rate[3]					
Weighted average spread over LIBOR		827 bp		1170 bp	
Sensitivity of Modeled Assumptions					
Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral[4]	25%	$ (0.6)		$ (4.6)	
	50%	(1.2)		(8.6)	
	100%	(2.3)		(17.2)	
Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral[4] and the immediate default of all deferring collateral with no recovery	25%	$ (5.8)		$ (99.2)	
	50%	(6.3)		(103.6)	
	100%	(7.0)		(112.4)	
Increase (decrease) in fair value due to increase in discount rate	+ 100 bp	$ (12.7)		$ (61.3)	
	+ 200 bp	(24.0)		(115.8)	
Increase (decrease) in fair value due to increase in Forward LIBOR Curve	+ 100 bp	$ 7.5		$ 43.4	
Increase (decrease) in fair value due to:					
increase in prepayment assumption[5]	+1%	$ 3.0		$ 29.6	
increase in prepayment assumption[6]	+2%	5.9		57.1	

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

[2] *Weighted average percentage of collateral that is defaulted due to bank failures, or deferring payment as allowed under the terms of the security, including a 0% recovery rate on defaulted collateral and a credit-specific probability of default on deferring collateral which ranges from 2.18% to 100%.*

[3] *The discount rate is a spread over the LIBOR swap yield curve at the date of valuation.*

[4] *Percentage increase is applied to incremental projected loss percentages from currently performing collateral. For example, the 50% and 100% stress scenarios for AFS securities would result in cumulative 30 year losses of 36.4% = 30.9%+50%(0.4%+1.3%+9.2%) and 41.8% = 30.9%+100%(0.4%+1.3%+9.2%) respectively.*

[5] *Prepayment rate for small banks increased to 4% per year for each year through maturity.*

[6] *Prepayment rate for small banks increased to 5% per year for each year through maturity.*

The 2011 sensitivity analysis of valuation assumptions, when compared to the same projection for 2010, identifies that actual collateral credit losses in 2011 were slightly lower than those projected. However, lifetime collateral loss projections increased year-over-year because in 2011 the Company increased the assumed medium-term and long-term PDs for the best performing collateral. These more severe assumptions muted the effect of increased financial ratio improvement in some collateral.

The discount rates applicable to CDO tranches increased during the year especially for lower priority tranches, due to an increase in distressed debt spreads over the risk-free-rate. The higher discount rates caused the portfolio fair value to be less sensitive than it was at the start of 2011 to the specific additional adverse assumption changes set out in the preceding schedule. The weighted average discount rate increased by 300 bps during 2011. The valuation of the AFS and HTM portfolios, including the use of trading prices, is further discussed in Note 21 of the Notes to Consolidated Financial Statements.

During the course of the year, we made the following significant assumption changes as evidence developed:

Significant Assumption Changes for 2011

Prepayment Rate

In the third quarter of 2011 the Company increased the prepayment assumptions for small banks because of the extent of observed prepayments made by these types of banks. The prepayment rate assumption for small banks was increased from 0% for five years and 2% thereafter to 3% per year for each year. This produced $11 million of OTTI, and the Company maintained that assumption through the end of the year. We changed this assumption because our CDO pools experienced significant and increasing prepayments of small bank trust preferred securities during 2011. We define small banks as collateral that is not subject to the phased-in disallowance of bank trust preferred securities as Tier 1 Capital required by the Dodd-Frank Act. These are primarily banks with assets below $15 billion and, to a lesser extent, insurance companies in mixed bank and insurance company CDOs.

Since the third quarter of 2010, we have assumed that large banks with investment grade ratings will fully prepay by the end of 2015. We also assume that prepayment behaviors will be skewed toward the end of the disallowance period. The Dodd-Frank Act became effective during the third quarter of 2010, and it phases in the disallowance of the inclusion of trust preferred securities in Tier 1 capital for banks with assets over $15 billion (large banks). For those institutions within each pool with investment grade ratings, we assume that trust preferred securities will be called prior to the end of the disallowance period.

Given the 3% small bank prepayment rate assumption and the differing extent of big banks in CDO pools, the pool specific prepayment rate until the end of 2015 is calculated with reference to both (a) the percentage of each pool s performing collateral consisting of small banks, as well as, (b) the percentage which consists of collateral from large banks with investment grade ratings. After 2015 each pool is assumed to prepay at a 3% annual rate.

For the fourth quarter of 2011, the resulting average annual prepayment rate assumption for pools which include both large and small banks is 6.67% for each year through 2015, followed by an annual prepayment rate assumption of 3% thereafter. For pools without large banks, we assume a 3% annual prepayment rate. Increased prepayment rates are generally favorable for the fair value of the most senior tranches and adverse to the fair value of the more junior tranches. Increasing the prepayment rate for small bank collateral from the assumed 3% CPR to a 4% or 5% CPR increases the fair value of the portfolio, while decreasing the rate to 1% would slightly reduce the fair value.

Short-Term Probabilities of Default

For the third quarter of 2011, the Company set a floor PD of 30 bps for years one through five for collateral where the higher of the one-year PDs from our ratio based approach and those from our third party licensed model would have been lower. The Company set the floor at 30 bps in order to be consistent with the short-term PD that we would apply if we had direct lending exposures to CDO pool collateral. This change had no material impact on fair value or the recording of OTTI.

Medium-Term Probabilities of Default

In the fourth quarter of 2011, the Company changed its medium-term PDs for the best performing banks in the medium-term given the systemic risk remaining in the banking sector. Previously, the Company had assumed a floor on PDs of 30 bps for years one through five, and then stepped the PD up to 65 bps in year six and beyond. Beginning in the fourth quarter, we changed this step-up assumption to an assumed floor on PDs of 48 bps for years two to five followed by a second step-up to the assumed 65 bps default rate in year six. These increases in the medium-term PDs of the best performing banks created additional medium-term collateral credit losses because financial ratio improvement in certain bank collateral only partially offset the assumption change. While the changes had no material impact on fair value, it did require the company to record $4.6 million of credit-related OTTI in the fourth quarter of 2011.

Long-Term Probabilities of Default

In the second quarter of 2011, the Company raised its long-term floor PD for bank collateral for years six to maturity from 30 bps to 50 bps to be more consistent with historical bank failure rates over long periods of time. This change resulted in $2.5 million of OTTI in the second quarter of 2011. In the third quarter of 2011 this assumption was increased to 65 bps, and the 65 bps long-term floor PD assumption was further maintained for the fourth quarter of 2011. The Company s increase to an assumed 65 bps minimum floor PD for bank collateral starting in year 6 was more consistent with greater weighting for more recent bank failures. The assumption increase was also driven by the observed pattern that banks which issued trust preferred have and may continue to fail at rates in excess of the failure rate of the general universe of banks. While this change had no material impact on the fair value, it did require the Company to record $2.5 million of OTTI.

Bank Collateral Deferrals

The Company s loss and recovery experience as of December 31, 2011 (and our Level 3 modeling assumption) is essentially a 100% loss on defaults, although we have, to date, received several, generally small, recoveries on defaults. Our experience with deferring bank collateral has been that of all collateral that has elected to defer beginning in 2007 or thereafter, 49% has defaulted, and approximately 42% remains within the allowable deferral period. Additionally, thirty-three issuing banks, with collateral aggregating to 9% of all deferrals and 18% of all surviving deferrals, have either come current and resumed interest payments on their trust preferred securities or will do so at the next payment date. Older deferrals are more likely to have defaulted. Approximately 91% of the bank collateral which first deferred prior to January 1, 2009 had defaulted by December 31, 2011. For bank collateral which first deferred on or after January 1, 2009, 34% had defaulted by December 31, 2011. New deferrals peaked in 2009. In 2008, 9% of collateral performing at the start of the year elected to defer by year end. This contrasts with 19% in 2009, and 10% in 2010. A total of $509.9 million of bank collateral elected to defer in 2011 which comprises 4.6% of the collateral performing at the start of 2011. In 2010 $1,237.3 million of bank collateral elected to defer. Further information on the Company s valuation process is detailed in Note 21 of the Notes to Consolidated Financial Statements.

Schedules 14 and 15 provide additional information on the below-investment-grade rated bank and insurance trust preferred CDOs portion of the AFS and HTM portfolios. The schedules reflect data and assumptions that are included in the calculations of fair value and OTTI. The schedules utilize the lowest rating to identify those securities below investment grade. The schedules segment the securities by whether or not they have been determined to have OTTI, and by original ratings level to provide granularity on the seniority level of the securities and the distribution of unrealized losses. The best and worst pool-level statistic for each original

Table of Contents

ratings subgroup is presented, not the best and worst single security within the original ratings grouping. The number of issuers and number of currently performing issuers noted in Schedule 15 are from the same security. The remaining statistics may not be from the same security.

Schedule 14

BELOW-INVESTMENT-GRADE RATED BANK AND INSURANCE TRUST PREFERRED CDOS

BY ORIGINAL RATINGS LEVEL

AT DECEMBER 31, 2011

			Total				Credit loss		Valuation losses[1]
(Dollar amounts in millions)	Number of securities	% of portfolio	Par value	Amortized cost	Estimated fair value	Unrealized loss	Current year	Life-to-date	Life-to-date
Original ratings of securities, non-OTTI:									
Original AAA	27	37.4%	$ 857.3	$ 766.3	$ 538.7	$ (227.6)	$	$	$ (99.6)
Original A	20	19.7	451.5	451.6	248.9	(202.7)			
Original BBB	5	2.0	46.5	46.5	23.0	(23.5)			
Total non-OTTI		59.1	1,355.3	1,264.4	810.6	(453.8)			(99.6)
Original ratings of securities, OTTI:									
Original AAA	1	2.2	50.0	43.4	16.5	(26.9)		(4.8)	(1.9)
Original A	42	35.8	820.0	598.6	125.9	(472.7)	(18.1)	(223.8)	
Original BBB	6	2.9	67.1	24.2	2.5	(21.7)	(10.1)	(42.8)	
Total OTTI		40.9	937.1	666.2	144.9	(521.3)	(28.2)	(271.4)	(1.9)
Total noninvestment grade bank and insurance CDOs		100.0%	$ 2,292.4	$ 1,930.6	$ 955.5	$ (975.1)	$ (28.2)	$ (271.4)	$ (101.5)

	Average holding[2]			
	Par value	Amortized cost	Estimated fair value	Unrealized gain (loss)
Original ratings of securities, non-OTTI:				
Original AAA	$ 30.6	$ 27.4	$ 19.2	$ (8.2)
Original A	16.1	16.1	8.9	(7.2)
Original BBB	9.3	9.3	4.6	(4.7)
Original ratings of securities, OTTI:				
Original AAA	50.0	43.4	16.5	(26.9)
Original A	15.8	11.5	2.4	(9.1)
Original BBB	11.2	4.0	0.4	(3.6)

[1] *Valuation losses relate to securities purchased from Lockhart Funding LLC prior to its consolidation in June 2009.*
[2] *The Company may have more than one holding of the same security.*

Table of Contents

Schedule 15

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

AT DECEMBER 31, 2011

	Current lowest rating	# of issuers in collateral pool	# of issuers currently performing[1]	% of original collateral defaulted [2]	% of original collateral deferring[3]	Subordination as a % of performing collateral[4]	Collateral-ization %[5]	Present value of expected cash flows discounted at coupon rate as a % of par[6]	Lifetime additional projected loss from performing collateral[7]
Original ratings of securities, non-OTTI:									
Original AAA									
Best	BB	23	21	1.14%	4.26%	93.16%	1,461.59%	100%	
Weighted average		89	58	15.52	13.25	41.14	261.15	100	10.43%
Worst	CC	17	7	28.71	26.91	8.96	159.86	100	14.33
Original A									
Best	B	34	34			27.76	347.12	100	10.25
Weighted average		17	15	3.39	6.52	11.82	138.44	100	12.53
Worst	C	6	4	10.31	26.91	(10.66)[8]	69.56[9]	100	14.57
Original BBB									
Best	CCC	34	34			16.70	355.80	100	11.20
Weighted average		26	23	1.75	4.05	9.16	238.30	100	12.51
Worst	CC	24	20	6.13	9.26	2.73	152.53	100	13.70
Original ratings of securities, OTTI:									
Original AAA									
Single security	CCC	43	24	16.89	25.82	29.04	231.15	93	9.50
Original A									
Best	CCC	37	31		1.89	54.27	169.99	100	
Weighted average		53	33	11.99	17.09	(13.62)	63.52	81	11.02
Worst	C	3		27.50	29.55	(50.23)	7.40	36	15.93
Original BBB									
Best	C	42	38	6.28	1.84	(5.82)[8]	82.89[9]	100	8.77
Weighted average		78	52	13.72	18.25	(25.61)	(143.24)	44	10.92
Worst	C	36	17	20.80	25.82	(44.86)	(275.63)		14.57

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

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

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

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

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

[6] *For OTTI securities, this statistic approximates the extent of OTTI credit losses taken.*
[7] *This is the same statistic presented in the preceding sensitivity schedule and incorporated in the fair value and OTTI calculations. The statistic is the sum of incremental projected loss percentages from currently paying collateral for year one, years two through five and years six through thirty.*
[8] *Negative subordination is projected to be remedied by excess spread prior to maturity.*
[9] *Collateralization shortfall is projected to be remedied by excess spread prior to maturity.*

Table of Contents

Certain original A-rated and original B-rated securities described in the previous schedule currently have negative subordination and are therefore under-collateralized, and yet are not identified as having OTTI. This is because our cash flow projections for these securities show negative subordination being cured prior to the securities maturities. The collateral that backs a tranche can increase if the more senior liabilities of the CDO decrease. This occurs when collateral deterioration due to defaults and deferral triggers alternative waterfall provisions for the cash flow. A structural credit protection feature reroutes cash (interest collections) from the more junior classes of debt and income notes to pay down the principal of the most senior liabilities. As the most senior liabilities are paid down while the collateral remains unchanged (and if there are no additional unexpected defaults), the next level of tranches become better secured. The rerouting continues to divert cash away from the most junior classes of debt or income notes and gives better security to our tranche. Our cash flow projections predict full payment of amortized cost and interest.

Schedule 16 presents the maturities of the different types of investments that the Company owned and the corresponding average yield as of December 31, 2011. It should be noted that most of the SBA loan-backed securities and asset-backed securities are variable rate and their repricing periods are significantly less than their contractual maturities. Also see Liquidity Risk on page 83 and Notes 1, 5 and 8 of the Notes to Consolidated Financial Statements for additional information about the Company s investment securities and their management.

Schedule 16

MATURITIES AND AVERAGE YIELDS ON SECURITIES

AT DECEMBER 31, 2011

(Amounts in millions)	**Total securities** Amount	Yield*	**Within one year** Amount	Yield*	**After one but within five years** Amount	Yield*	**After five but within ten years** Amount	Yield*	**After ten years** Amount	Yield*
Held-to-maturity:										
Municipal securities	$ 565	6.5%	$ 53	6.1%	$ 200	6.5%	$ 130	6.5%	$ 182	6.7%
Asset-backed securities:										
Trust preferred securities banks and insurance	263	2.3			1	2.8	39	2.4	223	2.3
Other	24	1.2			11	1.3	10	1.2	3	1.1
	852	5.1	53	6.1	212	6.2	179	5.3	408	4.3
Available-for-sale:										
U.S. Treasury securities	4	2.5	3	0.1	1	8.5				
U.S. Government agencies and corporations:										
Agency securities	153	4.9	20	4.8	56	4.9	53	4.6	24	5.4
Agency guaranteed mortgage-backed securities	535	4.3	90	4.3	235	4.3	126	4.2	84	4.2
Small Business Administration loan-backed securities	1,153	3.5	230	3.5	546	3.5	266	3.5	111	3.5
Municipal securities	121	6.4	6	4.2	29	6.0	63	7.6	23	4.0
Asset-backed securities:										
Trust preferred securities banks and insurance	1,794	1.1	63	1.6	191	1.3	257	1.2	1,283	1.0
Trust preferred securities real estate investment trusts	40	0.9					8	0.9	32	0.9
Auction rate securities	71	0.2					3	0.3	68	0.2
Other	65	1.5	30	1.4	17	1.9	5	1.4	13	1.4
	3,936	2.5	442	3.3	1,075	3.4	781	3.2	1,638	1.4
Mutual funds and other	163		163							
	4,099	2.4	605	2.4	1,075	3.4	781	3.2	1,638	1.4
Total	$ 4,951	2.9	$ 658	2.7	$ 1,287	3.9	$ 960	3.6	$ 2,046	2.0

**Taxable-equivalent rates used where applicable.*

Table of Contents

As shown in Schedule 17, the investment securities portfolio at December 31, 2011 includes $607 million of nonrated, fixed-income securities compared to $612 million at December 31, 2010. Nonrated municipal securities held in the portfolio were underwritten by Zions Bank s Municipal Credit Department in accordance with its established municipal credit standards.

Schedule 17

NONRATED SECURITIES

	December 31,	
(In millions)	2011	2010
Municipal securities	$ 554	$ 566
Other nonrated debt securities	53	46
	$ 607	$ 612

Other-Than-Temporary Impairment Investments in Debt Securities

We review investments in debt securities on an ongoing basis for the presence of OTTI, taking into consideration current market conditions, estimated credit impairment, if any, fair value in relationship to cost, the extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, our ability and intent to hold investments until a recovery of amortized cost which may be maturity, and other factors. For securities where an internal income-based cash flow model or third party valuation service produces a loss-adjusted expected cash flow for the security, the presence of OTTI is identified and the amount of the credit component of OTTI is calculated by discounting this loss-adjusted cash flow at the security s coupon rate and comparing that value to the Company s amortized cost of the security.

Under ASC 320, the full extent of the difference between amortized cost and fair value is recognized through earnings if fair value is below amortized cost and the investor either intends to sell the security or has found that it is more likely than not that the investor will be forced to sell prior to recovery of its amortized cost basis. ASC 320 distinguishes the difference between amortized cost and fair value that is due to credit, from the difference that is due to illiquidity and all other factors. For holders who neither intend to sell nor judge it more likely than not that they will be required to sell prior to recovery of amortized cost, which might be maturity, only the amount of impairment representing credit loss is recognized in earnings.

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

For some CDO tranches, for which we previously recorded OTTI, expected future cash flows have remained stable or have slightly improved subsequent to the quarter that OTTI was identified and recorded. For other CDO tranches, an adverse change in the expected future cash flow has resulted in the recording of additional OTTI. In both situations, while a large difference may remain between fair value and amortized cost, the difference is not due to credit. The expected future cash flow substantiates the return of the full amortized cost as described below. The primary drivers of unrealized losses in these CDOs are further discussed in Note 5 of the Notes to Consolidated Financial Statements.

We utilize a present value technique to both identify the OTTI present in the CDO tranches and to estimate fair value. For purposes of determining the portion of the difference between fair value and amortized cost that is

Table of Contents

due to credit, we follow ASC 310, which includes paragraphs 12-16 of the former SFAS No. 114. The standard specifies that a cash flow projection can be present valued at the security specific effective interest rate and the resulting present value compared to the amortized cost in order to quantify the credit component of impairment. Since our early adoption of the new guidance under ASC 320 on January 1, 2009, we have followed this methodology to identify the credit component of impairment to be recognized in earnings each quarter.

During 2011, the Company recognized credit-related net impairment losses on CDOs of $33.7 million, compared to losses of $85.4 million in 2010. Schedule 18 identifies the breakdown of OTTI in 2011.

Schedule 18

OTTI BREAKDOWN

(In millions)	December 31, 2011
Assumption changes on bank collateral	
Increased prepayment rate[1]	$ 11.0
Increased medium-term PDs[2]	4.6
Increased long-term PDs[2]	2.5
Credit deterioration	11.3
Homebuilder bankruptcy	4.3
	$ 33.7

[1] *For small banks*
[2] *For best performing banks*

Exposure to State and Local Governments

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

Schedule 19 summarizes the Company s exposure to state and local municipalities.

Schedule 19

MUNICIPALITIES

(In millions)	December 31, 2011	2010
Loans and leases	$ 442	$ 439
Held-to-maturity municipal securities	564	578
Available-for-sale municipal securities	122	158
Available-for-sale auction rate securities	70	109
Trading account municipal securities	9	12
Unused commitments to extend credit	103	140
Total direct exposure to municipalities	$ 1,310	$ 1,436

Company policy requires that extensions of credit to municipalities be subjected to specific underwriting standards. At December 31, 2011 all of the outstanding municipal loans were performing and none were on nonaccrual. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and approximately 78% of the outstanding credits were originated by Zions Bank, Vectra, and CB&T. See Note 6 of the Notes to Consolidated Financial Statements for additional information about the credit quality of these municipal loans.

All municipal securities are reviewed quarterly for OTTI. HTM securities consist of unrated bonds issued by small local governmental entities and are purchased through private placements, often in situations in which one of the Company s subsidiaries has acted as a financial advisor to the municipality. Prior to purchase, the issuers of HTM and AFS municipal securities are evaluated by the Company for their credit worthiness, and some of the securities are guaranteed by third parties. Of the AFS municipal securities, 97% are rated by major credit rating agencies and were rated investment grade as of December 31, 2011. Municipal securities in the trading account are held for resale to customers. The Company underwrites municipal bonds which are sold to third party investors.

European Exposure

The Company is monitoring global economic conditions and is aware of concerns over the creditworthiness of the governments of Portugal, Ireland, Italy, Greece, and Spain. The Company has not granted loans to and does not own securities issued by these governments, and has little or no direct exposure to companies or individuals in those countries.

In the normal course of business, the Company may enter into transactions with subsidiaries of companies and financial institutions headquartered in Portugal, Ireland, Italy, Greece, or Spain. Such transactions may include deposits, loans, letters of credit, and derivatives, as well as foreign currency exchange agreements. As of December 31, 2011, these transactions did not present any material direct or indirect risk exposure to the Company. Among the derivative transactions, the Company has entered into a TRS agreement with Deutsche Bank AG with regard to certain bank and insurance trust preferred CDOs (see Note 8 of the Notes to Consolidated Financial Statements). If Deutsche Bank were unable to perform under the TRS, the agreement would terminate at no cost to Zions. There would be no balance sheet impact from cancellation, and the Company would save approximately $5.3 million in fees quarterly. However, if the TRS were cancelled, the Company would lose the potential future risk mitigation benefits of the TRS, and regulatory risk weighted assets under the Basel I framework would increase by approximately $3.4 billion, which would reduce regulatory risk-based capital ratios by approximately 7%.

Loans Held for Sale

Loans held for sale, consisting primarily of consumer mortgage and small business loans to be sold in the secondary market, were $202 million at December 31, 2011, compared with $206 million at December 31, 2010. The consumer loans are primarily fixed rate mortgages that are originated and sold to third parties.

Loan Portfolio

As of December 31, 2011, net loans and leases accounted for 69.9% of total assets compared to 72.0% at the end of 2010. Schedule 20 presents the Company s loans outstanding by type of loan as of the five most recent year-ends. The schedule also includes a maturity profile for the loans that were outstanding as of December 31, 2011. However, while this schedule reflects the contractual maturity and repricing characteristics of these loans, in certain cases the Company has hedged the repricing characteristics of its variable-rate loans as more fully described in Interest Rate Risk on page 80.

Table of Contents

Schedule 20

LOAN PORTFOLIO BY TYPE AND MATURITY

(In millions)	December 31, 2011 One year or less	One year through five years	Over five years	Total	December 31, 2010	2009	2008	2007
Commercial:								
Commercial and industrial	$ 5,729	$ 3,556	$ 1,109	$ 10,394	$ 9,167	$ 9,631	$ 11,202	$ 10,182
Leasing	49	303	70	422	410	466	431	503
Owner occupied	454	1,473	6,239	8,166	8,218	8,752	8,743	7,545
Municipal	91	86	265	442	439	356	288	274
Total commercial	6,323	5,418	7,683	19,424	18,234	19,205	20,664	18,504
Commercial real estate:								
Construction and land development	1,081	973	222	2,276	3,499	5,552	7,516	7,869
Term	893	3,350	3,663	7,906	7,650	7,255	6,196	5,336
Total commercial real estate	1,974	4,323	3,885	10,182	11,149	12,807	13,712	13,205
Consumer:								
Home equity credit line	20	157	2,008	2,185	2,142	2,135	2,005	1,608
1-4 family residential	35	179	3,701	3,915	3,499	3,642	3,877	3,975
Construction and other consumer real estate	96	39	172	307	343	459	774	945
Bankcard and other revolving plans	146	131	14	291	297	341	374	347
Other	35	156	32	223	233	293	385	460
Total consumer	332	662	5,927	6,921	6,514	6,870	7,415	7,335
FDIC-supported loans	201	257	293	751	971	1,445		
Total loans	$ 8,830	$ 10,660	$ 17,788	$ 37,278	$ 36,868	$ 40,327	$ 41,791	$ 39,044
Loans maturing:								
With fixed interest rates	$ 1,363	$ 4,370	$ 3,377	$ 9,110				
With variable interest rates	7,467	6,290	14,411	28,168				
Total	$ 8,830	$ 10,660	$ 17,788	$ 37,278				

As of December 31, 2011, net loans and leases were $37.1 billion, reflecting a 1.1% increase from the prior year. The increase is primarily attributable to an increase in new loan originations, as well as a decrease in charge-offs of existing loans.

Most of the growth in the loan portfolio during 2011 occurred in commercial and industrial, commercial real estate term, and 1-4 family residential consumer loans, but was partially offset by declines in commercial real estate construction and land development and FDIC-supported loans. The total loan portfolio grew primarily at Amegy, Vectra, and NBA, while balances at Zions Bank and NSB declined.

Table of Contents

Commercial and industrial loans as well as 1-4 family residential consumer loans grew due to increased customer demand, while the increase in commercial real estate term loans was driven, in part, by construction loans converting to term loans when projects are completed. Commercial construction and land development loans declined due to pay-downs, charge-offs, and the completion of construction projects. Additionally, the demand for these types of loans has remained weak throughout 2011. The balance of FDIC-supported loans declined mostly due to pay-downs and pay-offs, and the fact that the Company has not purchased additional loans with FDIC loss sharing coverage since 2009. We expect construction and development loan balances to continue to decline at a moderating rate through much of 2012, and we expect FDIC-supported loan balances to decline to zero over the next few years.

Loans serviced for the benefit of others amounted to approximately $2.3 billion, $2.7 billion and $2.7 billion at December 31, 2011, 2010 and 2009, respectively.

Foreign loans consist primarily of commercial and industrial loans and totaled $46 million, $110 million, and $65 million at December 31, 2011, 2010, and 2009, respectively.

Other Noninterest-Bearing Investments

Schedule 21 sets forth the Company s other noninterest-bearing investments.

Schedule 21

OTHER NONINTEREST-BEARING INVESTMENTS

(In millions)	December 31, 2011	December 31, 2010
Bank-owned life insurance	$ 443	$ 428
Federal Home Loan Bank stock	116	125
Federal Reserve stock	132	128
SBIC investments	39	38
Non-SBIC investment funds and other	121	125
Trust preferred securities	14	14
	$ 865	$ 858

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits decreased by 1.1% during 2011, with average interest-bearing deposits decreasing by 5.9% and average noninterest-bearing increasing by 9.1%. The decline in deposits resulted from actions taken by the Company to reduce higher-cost deposits, including money market and time deposits. The increase in average noninterest-bearing deposits was largely driven by increased deposits of business customers. The average interest rate paid for interest-bearing deposits was 21 bps lower in 2011 than in 2010.

Core deposits at December 31, 2011, which exclude time deposits larger than $100,000 and brokered deposits, grew by 6.8%, or $2.6 billion, from December 31, 2010. The increase was due to growth in noninterest-bearing deposits, as well as savings and NOW deposits, partially offset by decreased time and money market deposits.

Demand, savings and money market deposits comprised 88.4% of total deposits at the end of 2011, compared with 85.8% at December 31, 2010.

During 2011 and 2010, the Company reduced brokered deposits due to excess liquidity and weak loan demand. At December 31, 2011, total deposits included $204 million of brokered deposits compared to $435 million at December 31, 2010.

See Notes 11 and 12 of the Notes to Consolidated Financial Statements and Liquidity Risk on page 83 for additional information on funding and borrowed funds.

RISK ELEMENTS

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

Credit Risk Management

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

Centralized oversight of credit risk is provided through a uniform credit policy, credit administration, and credit examination functions at the Parent. We have structured the organization to separate the lending function from the credit administration function, which has added strength to the control over, and the independent evaluation of, credit activities. Formal loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions. In addition, the Company has a well-defined set of standards for evaluating its loan portfolio and management utilizes a comprehensive loan grading system to determine the risk potential in the portfolio. Further, an independent internal credit examination department periodically conducts examinations of the Company s lending departments. These examinations are designed to review credit quality, adequacy of documentation, appropriate loan grading administration and compliance with lending policies, and reports thereon are submitted to management and to the Credit Review Committee of the Board of Directors. New, expanded, or modified products and services, as well as new lines of business, are approved by the New Product Review Committee at the bank level or Parent level, depending on the inherent risk of the new activity.

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

Credit risk associated with counterparties to off-balance sheet credit instruments is generally limited to the hedging of interest rate risk through the use of swaps and futures. Our subsidiary banks that engage in this activity have ISDA agreements in place under which derivative transactions are entered into with major derivative dealers. Each ISDA agreement details the collateral arrangements between our subsidiaries and their counterparties. In every case, the amount of the collateral required to secure the exposed party in the derivative transaction is determined by the fair value of the derivative and the credit rating of the party with the obligation. Some of these counterparties are domiciled in Europe; however, the Company s maximum exposure that is not cash collateralized to any single counterparty did not exceed $11 million at December 31, 2011.

The Company s credit risk management strategy includes diversification of its loan portfolio. The Company attempts to avoid the risk of an undue concentration of credits in a particular collateral type or with an individual customer or counterparty. During 2009, the Company adopted new concentration limits on various types of commercial real estate lending, particularly construction and land development lending, which have contributed to further reducing the Company s exposure to this type of lending. Subsequently, the Company has further tightened concentration limits in various types of commercial real estate lending, and has adopted concentration limits related to other types of lending, including leveraged lending and lending to municipalities and to the energy sector. All of these limits are continually monitored and revised as necessary. The majority of the Company s business activity is with customers located within the geographical footprint of its banking subsidiaries.

As displayed in Schedule 22, at the end of 2011, no single loan type exceeded 27.9% of the Company s total loan portfolio. During 2011, construction and land development decreased to 6.1% of total loans, compared to 9.5% at the end of 2010.

Schedule 22

LOAN PORTFOLIO DIVERSIFICATION

	December 31, 2011		December 31, 2010	
(Amounts in millions)	Amount	% of total loans	Amount	% of total loans
Commercial:				
Commercial and industrial	$ 10,394	27.9%	$ 9,167	24.9%
Leasing	422	1.1	410	1.1
Owner occupied	8,166	21.9	8,218	22.3
Municipal	442	1.2	439	1.2
Total commercial	19,424		18,234	
Commercial real estate:				
Construction and land development	2,276	6.1	3,499	9.5
Term	7,906	21.2	7,650	20.8
Total commercial real estate	10,182		11,149	
Consumer:				
Home equity credit line	2,185	5.9	2,142	5.8
1-4 family residential	3,915	10.5	3,499	9.5
Construction and other consumer real estate	307	0.8	343	0.9
Bankcard and other revolving plans	291	0.8	297	0.8
Other	223	0.6	233	0.6
Total consumer	6,921		6,514	
FDIC-supported loans	751	2.0	971	2.6
Total loans	$ 37,278	100.0%	$ 36,868	100.0%

The Company s loan portfolio includes loans that were acquired from failed banks in 2009: Alliance Bank, Great Basin Bank, and Vineyard Bank. These loans include nonperforming loans and other loans with characteristics indicative of a high credit risk profile. Substantially all of these loans are covered under loss sharing agreements with the FDIC for which the FDIC generally will assume 80% of the first $275 million of credit losses for the Alliance Bank assets, $40 million of credit losses for the Great Basin Bank assets, $465 million of credit losses for the Vineyard Bank assets and 95% of the credit losses in excess of those amounts. Therefore, the Company s financial exposure to losses from these assets is substantially limited. In addition, the acquired loans have performed better than expected. FDIC-supported loans represented approximately 2.0% and 2.6% of the Company s total loan portfolio at the end of 2011 and 2010, respectively.

The Company participates in various lending programs in which guarantees are supplied by U.S. government agencies, such as the Small Business Administration, Federal Housing Authority, Veterans Administration, Export-Import Bank of the U.S., and the U.S. Department of Agriculture. As of December 31,

Table of Contents

2011, the principal balance of such loans was $603 million, and the guaranteed portion amounted to $446 million. Most of these loans were guaranteed by the Small Business Administration. Schedule 23 presents government agency guaranteed loans, excluding FDIC-supported loans, as of December 31, 2011.

Schedule 23

GOVERNMENT GUARANTEES

(Amounts in millions)	December 31, 2011	Percent guaranteed
Commercial	$ 581	74%
Commercial real estate	20	75
Consumer	2	100
Total excluding FDIC-supported loans	$ 603	74

The credit quality of the Company s loan portfolio continued to improve throughout 2011. Nonperforming lending related assets decreased by 41.9% from December 31, 2010. Gross charge-offs declined to $560 million compared to $1,074 million in 2010. Net charge-offs decreased to $456 million in 2011 from $983 million in 2010.

Commercial Lending

Schedule 24 provides selected information regarding lending concentrations to certain industries in our commercial lending portfolio.

Schedule 24

COMMERCIAL LENDING BY INDUSTRY GROUP

	December 31, 2011		December 31, 2010	
(Amounts in millions)	Amount	Percent	Amount	Percent
Real estate, rental and leasing	$ 2,758	14.2%	$ 2,488	13.6%
Manufacturing	2,075	10.7	1,984	10.9
Mining, quarrying and oil and gas extraction	1,780	9.2	1,346	7.4
Retail trade	1,649	8.5	1,585	8.7
Wholesale trade	1,605	8.2	1,500	8.2
Healthcare and social assistance	1,245	6.4	1,264	6.9
Construction	1,084	5.6	1,110	6.1
Professional, scientific and technical services	954	4.9	966	5.3
Transportation and warehousing	953	4.9	866	4.8
Finance and insurance	867	4.5	963	5.3
Accommodation and food services	828	4.2	809	4.4
Other [1]	3,626	18.7	3,353	18.4
Total	$ 19,424	100.0%	$ 18,234	100.0%

[1] *No other industry group exceeds 5%.*

Commercial Real Estate Loans

As reflected in Schedule 25, the commercial real estate portfolio is well diversified by property type, purpose, and collateral location.

69

Table of Contents

Schedule 25

COMMERCIAL REAL ESTATE PORTFOLIO BY PROPERTY TYPE AND COLLATERAL LOCATION

(REPRESENTS PERCENTAGES BASED UPON OUTSTANDING COMMERCIAL REAL ESTATE LOANS)

AT DECEMBER 31, 2011

(Amounts in millions)		Collateral Location										
Loan Type	**Balance[1]**	**Arizona**	**Northern California**	**Southern California**	**Nevada**	**Colorado**	**Texas**	**Utah / Idaho**	**Wash-ington**	**Other**	**Product as a % of total CRE**	**Product as a % of loan type**
Commercial term												
Industrial		0.63%	0.35%	1.47%	0.23%	0.29%	0.47%	0.29%	0.14%	0.37%	4.24%	5.39%
Office		2.64	1.12	5.14	1.44	1.75	2.00	2.62	0.53	1.34	18.58	23.71
Retail		1.95	0.93	3.86	1.90	1.32	3.52	1.28	0.46	1.57	16.79	21.41
Hotel/motel		2.00	0.89	1.76	0.83	0.72	1.44	1.56	0.26	3.34	12.80	16.34
Acquisition and development						0.01					0.01	0.01
Medical		0.76	0.06	0.39	0.76	0.03	0.31	0.13	0.09	0.06	2.59	3.30
Recreation/restaurant		0.58	0.06	0.63	0.25	0.09	0.31	0.25	0.02	0.50	2.69	3.41
Multifamily		0.53	0.45	5.79	1.17	0.71	2.30	0.79	0.42	1.18	13.34	17.03
Other		0.82	0.48	2.19	0.48	0.24	0.58	1.59	0.26	0.71	7.35	9.40
Total	$ 7,767	9.91	4.34	21.23	7.06	5.16	10.93	8.51	2.18	9.07	78.39	100.00
Residential construction and land development												
Single family housing		0.14	0.16	0.44	0.01	0.14	0.66	0.04	0.04		1.63	21.78
Acquisition and development		0.57	0.02	0.39	0.05	0.11	1.62	0.61		0.19	3.56	47.57
Loan lot investor		0.26	0.07	0.11	0.37	0.04	0.15	0.75	0.01	0.03	1.79	23.93
Condo				0.11		0.06	0.24	0.04		0.04	0.49	6.72
Total	740	0.97	0.25	1.05	0.43	0.35	2.67	1.44	0.05	0.26	7.47	100.00
Commercial construction and land development												
Industrial		0.06		0.06			0.03	0.02	0.02		0.19	1.37
Office		0.21		0.27	0.06	0.41	0.74	0.94			2.63	18.59
Retail		0.70	0.04	0.13	0.13	0.34	0.95	0.14	0.04	0.05	2.52	17.78
Hotel/motel						0.18	0.01			0.01	0.20	1.42
Acquisition and development		0.53	0.28	0.41	0.53	0.56	1.61	0.98	0.03	0.07	5.00	35.34
Medical		0.05					0.03	0.15			0.23	1.68
Multifamily		0.01	0.05	0.53		0.12	0.70	0.73	0.16	0.27	2.57	18.15
Other		0.02	0.02	0.08	0.18	0.06	0.31	0.13			0.80	5.67
Total	1,402	1.58	0.39	1.48	0.90	1.67	4.38	3.09	0.25	0.40	14.14	100.00
Total construction and land development	2,142	2.55	0.64	2.53	1.33	2.02	7.05	4.53	0.30	0.66	21.61	100.00
Total commercial real estate	$ 9,909	12.46	4.98	23.76	8.39	7.18	17.98	13.04	2.48	9.73	100.00	

[1] *Excludes approximately $273 million of unsecured loans outstanding, but related to the real estate industry.*

Table of Contents

Selected information regarding our CRE loan portfolio is presented in Schedule 26.

Schedule 26

COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION

AT DECEMBER 31, 2011

(Amounts in millions)		Collateral Location										
Loan Type	**As of Date**	**Arizona**	**Northern California**	**Southern California**	**Nevada**	**Colorado**	**Texas**	**Utah / Idaho**	**Wash-ington**	**Other [1]**	**Total**	**% of total CRE**
Commercial term												
Balance outstanding	12/31/11	$ 982.9	$ 430.0	$ 2,111.3	$ 706.1	$ 553.2	$ 1,096.4	$ 877.6	$ 254.5	$ 894.2	$ 7,906.2	77.7%
% of loan type		12.4%	5.5%	26.7%	8.9%	7.0%	13.9%	11.1%	3.2%	11.3%	100.0%	
Delinquency rates[2]:												
30-89 days	12/31/11	0.6%	0.4%	1.2%	0.5%	0.5%	1.6%	0.5%		1.1%	0.9%	
	12/31/10	1.6%	1.5%	1.7%	3.7%	8.2%	2.7%	2.1%	0.3%	7.3%	3.1%	
³ 90 days	12/31/11	0.9%	0.3%	0.3%	0.4%		1.7%	0.6%		2.1%	0.8%	
	12/31/10	1.1%	1.5%	0.9%	2.8%	1.4%	1.6%	1.8%		3.9%	1.7%	
Accruing loans past due 90 days or more	12/31/11	$ 0.4	$	$	$	$	$ 3.2	$	$	$ 0.6	$ 4.2	
	12/31/10			0.2			4.3			0.3	4.8	
Nonaccrual loans	12/31/11	13.7	3.4	26.6	37.3	13.9	23.3	9.1		28.9	156.2	
	12/31/10	23.4	6.2	36.3	70.5	19.4	32.8	20.1	1.7	53.9	264.3	
Residential construction and land development												
Balance outstanding	12/31/11	$ 100.5	$ 24.5	$ 127.2	$ 43.0	$ 35.5	$ 296.1	$ 154.2	$ 0.7	$ 26.2	$ 807.9	7.9%
% of loan type		12.4%	3.0%	15.8%	5.3%	4.4%	36.7%	19.1%	0.1%	3.2%	100.0%	
Delinquency rates[2]:												
30-89 days	12/31/11	0.6%	14.1%		0.8%	13.8%	0.4%	0.2%			1.3%	
	12/31/10	9.8%	6.0%	5.3%	55.6%	1.4%	19.9%	13.6%		9.6%	14.3%	
³ 90 days	12/31/11	2.7%		3.9%	6.8%	5.3%	11.6%	4.5%	24.1%		6.7%	
	12/31/10	8.6%	6.0%	3.4%	55.6%	0.4%	19.2%	10.0%		5.0%	12.6%	
Accruing loans past due 90 days or more	12/31/11	$ 0.5	$	$ 0.2	$	$	$ 0.1	$	$	$	$ 0.8	
	12/31/10	0.8					0.1	0.6		0.1	1.6	
Nonaccrual loans	12/31/11	13.0		6.4	5.0	1.9	49.6	15.0	0.2		91.1	
	12/31/10	29.9	1.8	8.1	30.3	41.4	80.9	39.1		8.3	239.8	
Commercial construction and land development												
Balance outstanding	12/31/10	$ 174.9	$ 38.6	$ 151.8	$ 87.7	$ 167.0	$ 462.4	$ 311.1	$ 34.7	$ 40.0	$ 1,468.2	14.4%
% of loan type		11.9%	2.6%	10.3%	6.0%	11.4%	31.5%	21.2%	2.4%	2.7%	100.0%	
Delinquency rates[2]:												
30-89 days	12/31/11	1.6%				4.4%	1.7%				1.2%	
	12/31/10	5.0%		0.5%	23.7%	8.1%	5.7%	6.4%	2.7%	12.4%	7.1%	
³ 90 days	12/31/11	2.1%		1.1%	5.6%	5.5%	6.0%	1.7%			3.5%	
	12/31/10	4.2%		0.5%	16.4%	8.1%	4.3%	4.2%		12.4%	5.5%	
Accruing loans past due 90 days or more	12/31/11	$	$	$ 1.6	$	$	$ 0.1	$	$	$	$ 1.7	
	12/31/10							0.2		0.1	0.3	
Nonaccrual loans	12/31/11	5.9			12.1	9.1	81.4	20.2			128.7	
	12/31/10	18.9		2.2	73.9	19.8	91.5	35.7		11.6	253.6	
Total construction and land	12/31/11	$ 275.4	$ 63.1	$ 279.0	$ 130.7	$ 202.5	$ 758.5	$ 465.3	$ 35.4	$ 66.2	$ 2,276.1	

development												
Total commercial real estate	12/31/11	$ 1,258.3	$ 493.1	$ 2,390.3	$ 836.8	$ 755.7	$ 1,854.9	$ 1,342.9	$ 289.9	$ 960.4	$ 10,182.3	100.0%

[1] *No other geography exceeds $119 million for all three loan types.*
[2] *Delinquency rates include nonaccrual loans.*

Table of Contents

Approximately 34% of the commercial real estate term loans consist of mini-perm loans as of December 31, 2011. For such loans, construction has been completed and the project has stabilized to a level that supports the granting of a mini-perm loan in accordance with our underwriting standards. Mini-perm loans generally have initial maturities of three to seven years. The remaining 66% of commercial real estate loans are term loans with initial maturities of generally 15 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and includes, for example, criteria related to the cash flow generated by the project and occupancy rates.

Approximately 35% of the commercial construction and land development portfolio at December 31, 2011 consisted of acquisition and development loans. Most of these acquisition and development properties are tied to specific retail, apartment, office, or other projects. Underwriting on commercial properties is primarily based on the economic viability of the project with heavy consideration given to the creditworthiness of the sponsor. We generally require that the owner s equity be injected prior to bank advances. Re-margining requirements are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected economics of the project are primary in the underwriting because these determine the ultimate value of the property and its ability to service debt. Therefore, in most projects (with the exception of multifamily projects) we look for substantial pre-leasing in our underwriting and we generally require a minimum projected stabilized debt service coverage ratio of 1.20.

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

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

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

Interest reserves are generally established as an expense item in the budget for real estate construction or development loans. We generally require borrowers to put their equity into the project at the inception of the construction. This enables the bank to ensure the availability of equity in the project. The Company s practice is to monitor the construction, sales and/or leasing progress to determine whether or not the project remains viable. If at any time during the life of the credit, the project is determined to not be viable, the bank then takes appropriate action to protect its collateral position via negotiation and/or legal action as deemed necessary. The bank then evaluates the appropriate use of interest reserves. At December 31, 2011 and 2010, Zions affiliates had 356 and 341 loans with an outstanding balance of $413 million and $423 million, for which available interest reserves amounted to $36 million and $42 million, respectively. In instances where projects have been determined to not be viable, the interest reserves and other appropriate disbursements have been frozen.

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

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

Additionally, when we modify or extend a loan, we give consideration to whether the borrower is in financial difficulty, and whether a concession has been granted. In determining if an interest rate concession has been granted, we consider whether the interest rate on the modified loan is equivalent to current market rates (including a premium for risk) for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may indicate that a concession was granted. However, if additional collateral is obtained or if a strong guarantor exists who is believed to be able and willing to support the loan on an extended basis, we also consider the nature and amount of the additional collateral and guarantees in the ultimate determination of whether a concession has been granted. We obtain and consider updated financial information for the guarantor as part of our determination to extend a loan. The quality and frequency of financial reporting collected and analyzed varies depending on the contractual requirements for reporting, the size of the transaction, and the strength of the guarantor.

Complete underwriting of the guarantor includes, but is not limited to, an analysis of the guarantor s current financial statements, leverage, liquidity, global cash flow, global debt service coverage, contingent liabilities, etc. The assessment also includes a qualitative analysis of the guarantor s willingness to perform in the event of a problem and demonstrated history of performing in similar situations. Additional analysis may include personal financial statements, tax returns, liquidity (brokerage) confirmations and other reports, as appropriate. All personal financial statements of customers entering into new relationships with the applicable bank must not be more than 60 days old on the date the transaction is approved. Personal financial statements that are required for existing customers must be no more than 13 months old. Evaluations of the financial strength of the guarantor are performed at least annually.

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

In the event of default, we pursue any and all appropriate potential sources of repayment, which may come from multiple sources, including the guarantee. A number of factors are considered when deciding whether or not to pursue a guarantor, including, but not limited to, the value and liquidity of other sources of repayment (collateral), the financial strength and liquidity of the guarantor, possible statutory limitations (e.g., single action rule on real estate) and the overall cost of pursuing a guarantee compared to the ultimate amount we may be able to recover. In other instances, the guarantor may voluntarily support a loan without any formal pursuit.

Consumer Loans

The Company has mainly been an originator of first and second mortgages, generally considered to be of prime quality. Its practice historically has been to sell conforming fixed rate loans to third parties, including Fannie Mae and Freddie Mac, for which it makes representations and warranties as to meeting certain

Table of Contents

underwriting and collateral documentation standards. It has also been the Company s practice historically to hold variable rate loans in its portfolio. The Company does not estimate that it has any material financial risk as a result of its foreclosure practices or loan put-backs by Fannie Mae or Freddie Mac, and has not established any reserves related to these items.

The Company has a portfolio of $352 million of stated income mortgage loans with generally high FICO scores at origination, including one-time close loans to finance the construction of homes, which convert into permanent jumbo mortgages. As of December 31, 2011, approximately $32 million of these loans had FICO scores of less than 620. These totals exclude held-for-sale loans. Stated income loans account for approximately $11 million, or 40%, of our credit losses in 1-4 family residential first mortgage loans during 2011, and were primarily in Utah and Arizona.

The Company is engaged in home equity credit line lending. At December 31, 2011, the Company s HECL portfolio totaled $2.2 billion. Including FDIC-supported loans, approximately $1.0 billion of the portfolio is secured by first deeds of trust, while the remaining $1.2 billion is secured by junior liens. The outstanding balances and commitments by origination year for the junior lien HECLs are presented in Schedule 27.

Schedule 27

JR. LIEN HECLs OUTSTANDING BALANCES AND TOTAL COMMITMENTS

	Year of origination						
(In millions)	**2006 and prior**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
Outstanding balance	$ 492	$ 228	$ 184	$ 83	$ 84	$ 109	$ 1,180
Total commitments	918	299	262	149	147	206	1,981

More than 99% of the Company s HECL portfolio is still in the draw period, and approximately 54% is scheduled to begin amortizing within the next five years. Of the total home equity credit line portfolio, 0.52% was 90 or more days past due at December 31, 2011 as compared to 0.41% as of December 31, 2010. During 2011, the Company modified $0.2 million of home equity credit lines. The annualized credit losses for the HECL portfolio were 105 and 129 basis points for 2011 and 2010, respectively.

As of December 31, 2011, loans representing approximately 17% of the outstanding balance in the HECL portfolio were estimated to have combined loan-to-value (CLTV) ratios above 100%. Estimated CLTV ratios are based on projecting values forward from the most recent valuation of the underlying collateral using home price indices at the metropolitan area level. Generally, a valuation of collateral is performed at origination. For junior lien HECLs, the estimated current balance of prior liens is added to the numerator in the calculation of CLTV. The additional breakouts for the CLTV as of December 31, 2011 are shown in Schedule 28.

Schedule 28

HECL PORTFOLIO BY COMBINED LOAN-TO-VALUE

CLTV	**Percentage of HECL portfolio**
>100%	17%
90-100%	11%
80-89%	15%
<80%	57%
	100%

Underwriting standards for the HECL portfolio generally include a maximum 80% CLTV with high credit scores at origination. Credit bureau data, credit scores, and estimated CLTV are refreshed on a quarterly basis,

Table of Contents

and are used to monitor and manage accounts, including amounts available under the lines of credit. The allowance for loan losses is determined through the use of roll rate models, and first lien HECLs are modeled separate from junior lien HECLs. Refer to Note 6 of the Notes to Consolidated Financial Statements for additional information on the allowance.

Nonperforming Assets

Total nonperforming lending related assets were $1,063 million at December 31, 2011, compared to $1,828 million at December 31, 2010 and $2,769 million at December 31, 2009.

The Company s nonperforming lending-related assets as a percentage of net loans and leases and OREO decreased significantly during 2011 to 2.83% at December 31, 2011, compared to 4.91% and 6.79% at December 31, 2010 and 2009, respectively.

Total nonaccrual loans, excluding FDIC-supported loans, at December 31, 2011 decreased by $607 million from December 31, 2010, and included decreases of $274 million in construction and land development loans, $108 million in commercial real estate term loans, and $103 million in commercial owner occupied loans. The largest decreases in nonaccrual loans occurred primarily at Zions Bank, Amegy, and NSB.

The balance of nonaccrual loans can decrease due to pay-downs, write-offs, and the return of loans to accrual status under certain conditions. If a nonaccrual loan is refinanced or restructured, the new note is immediately placed on nonaccrual. Company policy does not allow the conversion of nonaccrual construction and land development loans to commercial real estate term loans. Refer to Note 6 of the Notes to Consolidated Financial Statements for more information.

Schedule 29 sets forth the Company s nonperforming lending-related assets.

Table of Contents

Schedule 29

NONPERFORMING LENDING-RELATED ASSETS

(Amounts in millions)	2011	2010	December 31, 2009	2008	2007
Nonaccrual loans:					
Loans held for sale	$ 18	$	$	$ 30	$
Commercial:					
Commercial and industrial	127	224	319	148	58
Leasing	2	1	11	8	
Owner occupied	239	342	474	158	21
Municipal		2			
Commercial real estate:					
Construction and land development	220	494	825	457	161
Term	156	264	228	44	4
Consumer:					
Real estate	121	163	162	97	13
Other	3	3	4	4	2
Nonaccrual loans, excluding FDIC-supported loans	886	1,493	2,023	946	259
Other real estate owned:					
Commercial:					
Commercial properties	58	99	85	36	8
Developed land	4	6	14	7	
Land	17	33	35	2	2
Residential:					
1-4 family	19	53	50	40	4
Developed land	21	50	119	71	1
Land	10	18	33	36	
Other real estate owned, excluding FDIC-supported assets	129	259	336	192	15
Total nonperforming lending-related assets, excluding FDIC-supported assets	1,015	1,752	2,359	1,138	274
FDIC-supported nonaccrual loans	24	36	356		
FDIC-supported other real estate owned	24	40	54		
FDIC supported nonperforming lending-related assets	48	76	410		
Total nonperforming lending-related assets	$ 1,063	$ 1,828	$ 2,769	$ 1,138	$ 274
Ratio of nonperforming lending-related assets to net loans and leases[1] and other real estate owned	2.83%	4.91%	6.79%	2.71%	0.70%
Accruing loans past due 90 days or more:					
Commercial	$ 8	$ 11	$ 53	$ 50	$ 38
Commercial real estate	7	7	33	48	28
Consumer	4	5	21	32	11
Total excluding FDIC-supported loans	19	23	107	130	77
FDIC-supported loans	75	119	56		
Total	$ 94	$ 142	$ 163	$ 130	$ 77

Ratio of accruing loans past due 90 days or more to net loans and leases[1]	0.25%	0.38%	0.40%	0.31%	0.20%

[1] *Includes loans held for sale*

Table of Contents

Restructured Loans

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

For certain TDRs, we split the loan into two new notes A note and B note. The A note is structured to comply with our current lending standards at current market rates, and is tailored to suit the customer s ability to make timely interest and principal payments. The B note includes the granting of the concession to the borrower and varies by situation. We may defer principal and interest payments until the A note has been paid in full. At the time of restructuring, the A note is identified and classified as a TDR. The B note is charged-off but the obligation is not forgiven to the borrower, and any payments collected are accounted for as recoveries. The outstanding balance of loans restructured using the A/B note strategy was approximately $256 million at December 31, 2011.

If the loan performs for at least six months according to the modified terms, and an analysis of the customer s financial condition indicates that the Company is reasonably assured of repayment of the modified principal and interest, the loan may be returned to accrual status. The borrower s payment performance prior to and following the restructuring is taken into account in determining whether or not a loan should be returned to accrual status.

In the periods following the calendar year in which a loan was restructured, a loan may no longer be reported as a TDR if it is on accrual, is in compliance with its modified terms, and yields a market rate (as determined and documented at the time of the modification or restructure). During 2011, TDRs that were removed from TDR status amounted to approximately $174 million. Company policy requires that the removal of TDR status be approved at the same management level that approves the upgrading of a loan s classification. See Note 6 of the Notes to Consolidated Financial Statements.

Schedule 30

ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS

	December 31,	
(In millions)	**2011**	**2010**
Restructured loans accruing	$ 448	$ 388
Restructured loans nonaccruing	296	367
Total	$ 744	$ 755

Other Nonperforming Assets

In addition to the lending-related nonperforming assets, the Company had $124 million in carrying value of investments in debt securities that were on nonaccrual status at December 31, 2011, compared to $195 million at December 31, 2010.

Table of Contents

Allowance and Reserve for Credit Losses

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

Schedule 31 shows the changes in the allowance for loan losses and a summary of loan loss experience.

Schedule 31

SUMMARY OF LOAN LOSS EXPERIENCE

(Amounts in millions)	**2011**	**2010**	**2009**	**2008**	**2007**
Loans and leases outstanding on December 31, (net of unearned income)	$ 37,145	$ 36,747	$ 40,189	$ 41,659	$ 38,880
Average loans and leases outstanding, (net of unearned income)	$ 36,798	$ 38,250	$ 41,513	$ 40,795	$ 36,575
Allowance for loan losses:					
Balance at beginning of year	$ 1,440	$ 1,531	$ 687	$ 459	$ 365
Allowance of companies acquired					8
Allowance associated with purchased securitized loans				2	
Allowance of loans and leases sold				(1)	(2)
Provision charged against earnings	75	852	2,017	648	152
Adjustment for FDIC-supported loans	(9)	40	2		
Charge-offs:					
Commercial	(241)	(417)	(373)	(100)	(39)
Commercial real estate	(229)	(517)	(713)	(269)	(24)
Consumer	(90)	(140)	(170)	(45)	(16)
Total	(560)	(1,074)	(1,256)	(414)	(79)
Recoveries:					
Commercial	55	35	51	9	9
Commercial real estate	35	44	21	7	1
Consumer	14	12	9	5	5
Total	104	91	81	21	15
Net loan and lease charge-offs	(456)	(983)	(1,175)	(393)	(64)
Reclassification to reserve for unfunded lending commitments				(28)	
Balance at end of year	$ 1,050	$ 1,440	$ 1,531	$ 687	$ 459
Ratio of net charge-offs to average loans and leases	1.24%	2.57%	2.83%	0.96%	0.17%
Ratio of allowance for loan losses to net loans and leases, on December 31,	2.83%	3.92%	3.81%	1.65%	1.18%
Ratio of allowance for loan losses to nonperforming loans, on December 31,	115.40%	94.22%	64.36%	72.58%	177.70%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, on December 31,	104.62%	86.21%	60.22%	63.84%	136.75%

Table of Contents

Schedule 32 provides a breakdown of the allowance for loan losses and the allocation among the portfolio segments.

Schedule 32

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

AT DECEMBER 31,

	2011		2010		2009		2008		2007	
(Amounts in millions)	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
Type of Loan										
Commercial	52.1%	$ 628	49.5%	$ 761	47.6%	$ 613	49.5%	$ 319	47.4%	$ 190
Commercial real estate	27.3	276	30.2	487	31.8	753	32.8	291	33.8	215
Consumer	18.6	123	17.7	154	17.0	165	17.7	77	18.8	54
FDIC-supported loans	2.0	23	2.6	38	3.6					
Total	100.0%	$ 1,050	100.0%	$ 1,440	100.0%	$ 1,531	100.0%	$ 687	100.0%	$ 459

The total allowance for loan losses at December 31, 2011 decreased by $390 million from the level at year-end 2010. The decreases in the ALLL for commercial lending, CRE, consumer, and FDIC-supported loans largely reflect improvements in credit quality and declines in loss rates in each of these segments. Although credit quality continues to improve, the Company increased the portion of the ALLL related to qualitative and environmental factors to keep changes in the level of the ALLL consistent with changes in these factors. The decrease in the ALLL for commercial real estate loans also reflects the decrease in loans outstanding for the construction and land development portfolio.

For 2010, the $148 million increase in the allowance for loan losses for commercial lending reflects deterioration of borrower credit quality due to difficult economic conditions, reductions in collateral values, and increases in realized loss rates that increased our quantitative loss factors for commercial real estate and consumer portfolios as well. The $266 million decrease in the allowance for commercial real estate loans in 2010 largely reflects the decrease in loans outstanding for the construction and land development portfolio and improving credit quality measures across the Company.

The reserve for unfunded lending commitments represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in the Company s consolidated balance sheet, and any related increases or decreases in the reserve are included in noninterest expense in the statement of income. The reserve balance decreased by $9 million from December 31, 2010, and is primarily due to improvements in the credit quality of lending commitments. See Note 6 of the Notes to Consolidated Financial Statements for additional information related to the allowance for credit losses.

Interest Rate and Market Risk Management

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

The Company s Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Company, including interest rate and market risk management. The

Boards of Directors of the Company s subsidiary banks are also required to review and approve these policies. In addition, the Board establishes and periodically revises policy limits, and reviews limit exceptions reported by management. The Board has established the management ALCO to which it has delegated the functional management of interest rate and market risk for the Company. ALCO s primary responsibilities include:

- recommending policies to the Board and administering Board-approved policies that govern and limit the Company s exposure to all interest rate and market risk, including policies that are designed to limit the Company s exposure to changes in interest rates;
- approving the procedures that support the Board-approved policies;
- maintaining management s policies dealing with interest rate and market risk;
- approving all material interest rate risk management strategies, including all hedging strategies and actions taken pursuant to managing interest rate risk and monitoring risk positions against approved limits;
- approving limits and all financial derivative positions taken at both the Parent and subsidiaries for the purpose of hedging the Company s interest rate and market risks;
- providing the basis for integrated balance sheet, net interest income, and liquidity management;
- calculating the duration and dollar duration of each class of assets, liabilities, and net equity, given defined interest rate scenarios;
- managing the Company s exposure to changes in net interest income and duration of equity due to interest rate fluctuations; and
- quantifying the effects of hedging instruments on the duration of equity and net interest income under defined interest rate scenarios.

Interest Rate Risk

Interest rate risk is one of the most significant risks to which the Company is regularly exposed. In general, our goal in managing interest rate risk is to have the net interest margin increase slightly in a rising interest rate environment. We refer to this goal as being slightly asset-sensitive. This approach is based on our belief that in a rising interest rate environment, the market cost of equity, or implied rate at which future earnings are discounted, would also tend to rise. The Company s balance sheet is more asset sensitive on December 31, 2011 than it was at the end of the previous year. Due to the low level of rates and the natural lower bound of zero for market indices, there is minimal sensitivity to falling rates at the current time. Decreasing market index rates by 200bp, with a lower bound of 0%, decreases interest income by 2% in the income simulation. However, if the Federal Reserve continues to implement its announced intent to keep interest rates at historically low levels though 2014, given the Company s asset sensitivity, it expects its net interest margin to be under modest pressure.

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

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

Table of Contents

Duration of equity is derived by first calculating the dollar duration of all assets, liabilities and derivative instruments. Dollar duration is determined by calculating the fair value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in fair value is the dollar duration. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of derivative instruments results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the fair value of equity. A positive value implies that an increase in interest rates decreases the dollar value of equity, whereas a negative value implies that an increase in interest rates increases the dollar value of equity. The Company s policy is generally to maintain a duration of equity between -3% to +7%. However, exceptions to the policy are approved by the Company s Board of Directors. In the current low interest rate environment, the Company is operating with a duration of equity of slightly less than -3% in some planning scenarios.

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

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

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

As of the dates indicated, Schedule 33 shows the Company s estimated duration of equity and percentage change in interest sensitive income, based on a static balance sheet, in the first year after the rate change if interest rates were to sustain an immediate parallel change of 200 basis points. The Company estimates interest rate risk with two sets of deposit repricing scenarios. The first scenario assumes that administered-rate deposits (money market, interest-earning checking, and savings) reprice at a faster speed in response to changes in interest rates. The second scenario assumes that those deposits reprice at a slower speed.

Schedule 33

DURATION OF EQUITY AND INTEREST SENSITIVE INCOME

	December 31, 2011		December 31, 2010	
	Fast	**Slow**	**Fast**	**Slow**
Duration of equity[1]:				
Base case	-1.0%	-3.8%	-1.2%	-3.1%
Increase interest rates by 200 bp	-1.5	-3.5	-1.4	-3.0

	Deposit repricing response			
	Fast	**Slow**	**Fast**	**Slow**
Income simulation change in interest sensitive income:				
Increase interest rates by 200 bp	7.4%	10.0%	3.1%	6.0%
Decrease interest rates by 200 bp[2]	-2.0	-2.3	-2.5	-2.7

[1] *The duration of equity is the modified duration reported in percentages.*
[2] *In the event that a 200 basis point rate parallel decrease cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero.*

Termination of long positions in Eurodollar futures during 2011 and a reduction of outstanding receive-fixed-rate interest rate swaps due to maturities also contributed to the decrease in the duration of equity. The changes in the income simulation sensitivity can be attributed to the same factors. See Note 8 of the Notes to Consolidated Financial Statements for more information on the interest rate derivatives portfolio.

Our focus on business banking also plays a significant role in determining the nature of the Company s asset-liability management posture. At the end of 2011 and 2010, approximately 76% and 77%, respectively, of the Company s commercial lending and commercial real estate portfolios were variable rate and primarily tied to either the prime rate or LIBOR. In addition, certain of our consumer loans also have variable interest rates.

We have traditionally engaged in an ongoing program of swapping prime-based and LIBOR-based loans for receive-fixed contracts. However, during 2010, we terminated and did not replace a number of such swaps, both due to the difficulty in finding stable pools of floating rate loans with identical repricing characteristics, and with the objective of positioning the Company s balance sheet to be more asset sensitive. At the end of 2011 and 2010, the Company held approximately $335 million and $520 million (notional amount), respectively, of such cash flow hedge contracts. These swaps also expose the Company to counterparty risk, which is a type of credit risk. The Company s approach to managing this risk is discussed in Credit Risk Management on page 67. The Company retains basis risk due to changes between the prime rate and LIBOR on nonhedge derivative basis swaps. See Accounting for Derivatives on page 31 for further details about our derivative instruments. Also, due largely to competitive pressures, the Company s subsidiary banks decreased the use of interest rate floors on new loans. As of December 31, 2011 and December 31, 2010, approximately 45.8% and 48.4% of all of the Company s variable rate loan balances contain floors. Of the loans with floors, approximately 77.9% of the December 31, 2011 and 75.5% of the December 31, 2010 balances were priced at the floor rates, which were above the index plus spread rate by an average of 1.22% and 1.22%, respectively.

During 2011, the long Eurodollar futures positions which were used to extend the duration of cash deposits were terminated. Although this led to an increase in asset sensitivity, the flattening of the yield curve resulted in minimal upside to holding long Eurodollar futures positions.

At December 31, 2011, the Company held $335 million (notional amount) of interest rate swap agreements, of which $185 million and $150 million will mature in 2012 and 2013, respectively. For additional information regarding derivative instruments, refer to Notes 1 and 8 of the Notes to Consolidated Financial Statements.

Market Risk Fixed Income

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

At December 31, 2011, the Company had $40 million of trading assets and $44 million of securities sold, not yet purchased, compared to $49 million and $43 million, respectively, at the end of the prior year.

The Company is exposed to market risk through changes in fair value. The Company is also exposed to market risk for interest rate swaps used to hedge interest rate risk. Changes in the fair value of AFS securities and in interest rate swaps that qualify as cash flow hedges are included in OCI for each financial reporting period. During 2011, the after-tax decrease in OCI attributable to AFS and HTM securities was $93 million compared to an increase of $4 million in 2010. The decrease attributable to interest rate swaps for 2011 and 2010 was $21 million and $37 million, respectively. If any of the AFS or HTM securities become other than temporarily impaired, the credit impairment is charged to operations. See Investment Securities Portfolio on page 52 for additional information on OTTI.

Market Risk Equity Investments

Through its equity investment activities, the Company owns equity securities that are publicly traded. In addition, the Company owns equity securities in companies that are not publicly traded, that are accounted for under cost, fair value, equity, or full consolidation methods of accounting, depending upon the Company s ownership position and degree of involvement in influencing the investees affairs. In either case, the value of the Company s investment is subject to fluctuation. Since the fair value of these securities may fall below the Company s investment costs, the Company is exposed to the possibility of loss. These equity investments are approved, monitored and evaluated by the Company s Equity Investment Committee.

The Company holds investments in pre-public companies through various venture capital funds. The Company s equity exposure to these investments at December 31, 2011 and December 31, 2010 was approximately $49 million and $48 million, respectively.

Additionally, Amegy has in place an alternative investments program. These investments are primarily directed towards equity buyout and mezzanine funds with a key strategy of deriving ancillary commercial banking business from the portfolio companies. Early stage venture capital funds generally are not part of the strategy since the underlying companies are typically not creditworthy. The carrying value of the investments was $71 million at December 31, 2011 and $68 million at December 31, 2010. At December 31, 2011 and 2010, the Company had a total remaining funding commitment of $44 million and $56 million, respectively, to SBIC, non-SBIC funds, and private equity investments. Of these commitments, approximately $29 million and $41 million, respectively, were at Amegy.

Under provisions of the Dodd-Frank Act, the Company is allowed to fund remaining unfunded portions of existing private equity fund commitments, such as those described above, but is not allowed to make any new commitments to invest in private equity funds, except for SBIC funds.

Liquidity Risk

Overview

Liquidity risk is the possibility that the Company s cash flows may not be adequate to fund its ongoing operations and meet its commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the

Table of Contents

monitoring and management of liquidity risk. We manage the Company s liquidity to provide adequate funds to meet its anticipated financial and contractual obligations, including withdrawals by depositors, debt service requirements and lease obligations, as well as to fund customers needs for credit.

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

The management of liquidity and funding is performed centrally by Zions Bank s Capital Markets/Investment Division under the direction of the Company s Chief Investment Officer, with oversight by ALCO. The Chief Investment Officer is responsible for recommending changes to existing funding plans, as well as to the policy guidelines. These recommendations must be submitted for approval to ALCO and potentially to the Company s Board of Directors. The subsidiary banks have authority to price deposits, borrow from their FHLB and the Federal Reserve, and sell/purchase Federal Funds to/from Zions Bank and/or correspondent banks. The banks may also make liquidity and funding recommendations to the Chief Investment Officer, but are not involved in any other funding decision-making processes.

Contractual Obligations

Schedule 34 summarizes the Company s contractual obligations at December 31, 2011.

Schedule 34

CONTRACTUAL OBLIGATIONS

(In millions)	One year or less	Over one year through three years	Over three years through five years	Over five years	Indeterminable maturity[1]	Total
Deposits	$ 2,767	$ 534	$ 252	$ 1	$ 39,322	$ 42,876
Commitments to extend credit	4,402	3,383	2,488	2,268		12,541
Standby letters of credit:						
Financial	652	125	51	87		915
Performance	126	38	1			165
Commercial letters of credit	115		19			134
Commitments to make venture and other noninterest-bearing investments[2]	44					44
Securities sold, not yet purchased	44					44
Federal funds purchased and security repurchase agreements	608					608
Other short-term borrowings	70					70
Long-term debt[3]	372	667	422	483		1,944
Operating leases, net of subleases	46	87	72	155		360
Unrecognized tax benefits, ASC 740	1	1			2	4
	$ 9,247	$ 4,835	$ 3,305	$ 2,994	$ 39,324	$ 59,705

[1] *Indeterminable maturity deposits include noninterest-bearing demand, savings and money market, and non-time foreign.*
[2] *Commitments to make venture and other noninterest-bearing investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.*
[3] *The maturities on long-term borrowings do not include the associated hedges.*

In addition to the commitments specifically noted in Schedule 34, the Company enters into a number of contractual commitments in the ordinary course of business. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of its business. Generally, these contracts are renewable or cancelable at least annually, although in some cases to secure favorable pricing concessions, the Company has committed to contracts that may extend to several years.

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

Liquidity Management Actions

Consolidated cash and interest-bearing deposits at the Parent and its subsidiaries increased to $8.2 billion at December 31, 2011 from $5.5 billion at December 31, 2010. During 2011, we had a significant increase in cash mainly due to an increase in noninterest-bearing demand deposits and a decrease in investment securities, partially offset by a net funding of new loan originations.

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

During 2011, the Parent received common dividends totaling $52.6 million and preferred dividends totaling $18.8 million from two of its bank subsidiaries. Also, the Parent received cash of $100 million from another bank subsidiary as a result of the redemption of preferred stock issued to the Parent. During 2010, the Parent did not receive dividends on common or preferred stock from its banking subsidiaries. The dividends that our bank subsidiaries can pay to the Parent are restricted by current and historical earning levels, retained earnings, and risk-based and other regulatory capital requirements. During 2011, all of the Company subsidiary banks, except Vectra, recorded a profit. Excluding intercompany securities sales, Vectra also recorded a profit. We expect that this profitability will be sustained and may permit additional payments of dividends by the banks to the Parent, and/or returns of capital to the Parent in 2012.

Earnings on the Parent s investment securities portfolio have been reduced. Therefore, cash receipts from subsidiaries and investments currently do not cover the Parent s interest and dividend payments. In 2011, the Parent did not increase its investment in its banking subsidiaries due to their improved earnings, credit metrics, and capital levels. The Company has held the dividend on its common stock to $0.01 per share per quarter in order to conserve both capital and cash at the Parent. See Note 19 of the Notes to Consolidated Financial Statements for details of dividend capacities and limitations.

General financial market and economic conditions have adversely impacted the Company s access to and cost of external financing. However, these adverse impacts further moderated in 2011. Access to funding markets for the Parent and subsidiary banks is directly affected by the credit ratings they receive from various rating agencies. The ratings not only influence the costs associated with the borrowings, but can also influence the sources of the borrowings. In December 2011, DBRS changed its outlook for the Company to stable from negative and Moody s changed its ratings for the Company s long-term debt to Ba3 from B2 and subordinated debt to B1 from B3, and changed its outlook for the Company to stable from positive. While Moody s rates the

Company s senior debt as Ba3 or noninvestment grade, Standard & Poor s, Fitch, and DBRS all rate the Company s senior debt at a low investment grade level. In addition, all four rating agencies rate the Company s subordinated debt as noninvestment grade.

Schedule 35 presents the Parent s ratings as of December 31, 2011.

Schedule 35

CREDIT RATINGS

Rating agency	Outlook	Long-term issuer/ senior debt rating	Subordinated debt rating	Short-term/ commercial paper rating
S&P	Negative	BBB-	BB+	A-3
Moody s	Stable	Ba3	B1	NP
Fitch	Stable	BBB-	BB+	F3
DBRS	Stable	BBB (low)	BB (high)	R-2 (low)

During 2011, the primary sources of additional cash to the Parent in the capital markets were (1) $169 million from the issuance of one to five-year unsecured senior notes and (2) $25 million from the issuance of new shares of common stock. The Parent had a cash balance of $956 million at December 31, 2011 compared to a cash balance of $550 million at December 31, 2010. The Parent had $700 million of U.S. Treasury securities at December 31, 2010, which were sold during 2011.

During 2011 and 2010, the Parent s operating expenses included cash payments for interest of approximately $127 million and $147 million, respectively. Additionally, the Parent paid approximately $156 million and $109 million of dividends on preferred stock and common stock, respectively, for the same applicable periods. Note 24 of the Notes to Consolidated Financial Statements contains the Parent s statements of income and statements of cash flows for the years ended December 31, 2011, 2010, and 2009 as well as its balance sheets at December 31, 2011 and 2010.

Repayments of short-term borrowings by the Parent exceeded new issuances, which resulted in net cash outflows of $166 million during 2011.

At December 31, 2011, maturities of the Company s long-term senior and subordinated debt ranged from June 2012 to November 2016, with interest rates from 0.78% to 7.75%.

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

<u>Subsidiary Bank Liquidity:</u> The subsidiaries primary source of funding is their core deposits, consisting of demand, savings and money market deposits, time deposits under $100,000, and foreign deposits. At December 31, 2011, these core deposits, excluding brokered deposits, in aggregate, constituted 95.4% of consolidated deposits, compared with 93.5% of consolidated deposits at December 31, 2010. On a consolidated basis, the Company s gross loan to total deposit ratio is at a historical low of 86.9%, another measure of strong bank liquidity.

Historically, the Company s subsidiary banks have also obtained brokered deposits to serve as an additional source of liquidity, which is currently not needed. Given the strong levels of affiliate liquidity, the Company has aggressively lowered its brokered deposit usage. During 2011, total brokered deposits declined $231 million to $204 million at year-end, down from $435 million at December 31, 2010. Brokered deposits are currently 0.5% of total deposits.

Total deposits increased by $1,941 million during 2011 mainly due to an increase of $2,457 million in noninterest-bearing demand deposits. Savings and NOW deposits also increased during 2011, but were offset by a larger combined decrease in money market and time deposits due to efforts to reduce excess liquidity. Money market investments also increased during 2011, mainly due to the deposit increase, and resulted in a net decrease in cash of $2,417 million.

On July 21, 2010, the Dodd-Frank Act made permanent the maximum deposit insurance amount of $250,000. On November 9, 2010, the FDIC issued a final rule providing temporary unlimited insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions, effective December 31, 2010 through December 31, 2012. The Company and the banking industry may experience a reduction in noninterest-bearing deposits beginning in late 2012 or in 2013 as a result of a decrease in demand for these deposits after the expiration of the temporary unlimited insurance coverage.

The FHLB system has, from time to time, been a significant source of funding and back-up liquidity for each of the Company s subsidiary banks. Zions Bank and TCBW are members of the FHLB of Seattle. CB&T, NSB, and NBA are members of the FHLB of San Francisco. Vectra is a member of the FHLB of Topeka and Amegy Bank is a member of the FHLB of Dallas. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity requirements. The subsidiary banks are required to invest in FHLB stock to maintain their borrowing capacity. At December 31, 2011, the amount available for additional FHLB and Federal Reserve borrowings was approximately $13.3 billion. At December 31, 2011 and 2010 the Company had de minimus amounts of long-term borrowings outstanding with the FHLB approximately $24 million and $20 million, respectively. At December 31, 2011 and 2010, the subsidiary banks total investment in FHLB stock was approximately $116 million and $125 million, respectively.

The Company s investment activities can provide or use cash, depending on the asset-liability management posture that is taken. For 2011, investment securities activities resulted in a decrease in investment securities holdings and a net increase of cash in the amount of $816 million.

Maturing balances in our subsidiary banks loan portfolios also provide additional flexibility in managing cash flows. Lending activity for 2011 resulted in a net cash outflow of $1,214 million compared to a net cash inflow of $1,754 million for 2010.

During 2011, the Company paid income taxes of $4 million while it received net cash income tax refunds of $325 million during 2010. The majority of the income tax refunds were for the benefit of our subsidiary banks and the remainder for the benefit of the Parent.

Operational Risk Management

Operational risk is the potential for unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. In its ongoing efforts to identify and manage operational risk, the Company has a Corporate Risk Management Department whose responsibility is to help management identify and assess key risks and monitor the key internal controls and processes that the Company has in place to mitigate operational risk. We have documented controls and the Control Self Assessment related to financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the Federal Deposit Insurance Corporation Improvement Act of 1991.

To manage and minimize its operating risk, the Company has in place transactional documentation requirements, systems and procedures to monitor transactions and positions, regulatory compliance reviews, and periodic reviews by the Company s internal audit and credit examination departments. In addition, reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. Further, we maintain contingency plans and systems for operations support in the event of natural or other disasters. Efforts are continually underway to improve the Company s oversight of operational risk, including enhancement of risk-control self assessment and antifraud measures reporting to the Enterprise Risk Management Committee and the Board. We also mitigate operational risk through the purchase of insurance, including errors and omissions and professional liability insurance.

CAPITAL MANAGEMENT

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

- Setting overall capital targets within the Board-approved capital policy, monitoring performance compared to the firm s risk appetite/risk capacity, and recommending changes to capital including dividends, common stock repurchases, subordinated debt, or to major strategies to maintain the Company and its bank subsidiaries at well capitalized levels;

- Maintaining an adequate capital cushion to withstand adverse stress events while continuing to meet the lending needs of its customers, and to provide reasonable assurance of continued access to wholesale funding, consistent with fiduciary responsibilities to depositors and bondholders; and

- Reviewing agency ratings of the Parent and its bank subsidiaries and establishing target ratings.

The CMC, in managing the capital of the Company, may set capital standards that are higher than those approved by the Board, but may not set lower limits.

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

- Maintain sufficient capital as defined by federal banking regulators to support current needs (see Note 19 of the Notes to Consolidated Financial Statements) and to ensure that capital is available to support anticipated growth;

- Take into account the desirability of receiving an investment grade rating from major debt rating agencies on senior and subordinated unsecured debt when setting capital levels;

- Develop capabilities to measure and manage capital on a risk-adjusted basis and to maintain economic capital consistent with an investment grade risk level; and

- Return excess capital to shareholders through dividends and repurchases of common stock.

In addition, the CMC oversees the Company s capital stress testing under a variety of adverse economic and market scenarios. The Company has established processes to periodically conduct stress tests to evaluate potential impacts to the Company under hypothetical economic scenarios. These stress tests facilitate our contingency planning and management of capital and liquidity including quantitative limits reflecting the Board of Directors risk appetite. These processes are also used to conduct the stress testing required by the Federal Reserve in the 2012 Capital Plan Review that was submitted to the Federal Reserve on January 9, 2012. The Company considers the filing and subsequent Federal Reserve review to be a part of an ongoing regulatory process. The regulators have indicated that these stress test results will also be an important factor in determining all capital and debt actions, including the repurchase of outstanding securities and the timing of new issuances, and whether an institution can pay or increase dividends, and ultimately, repay amounts received under the TARP Capital Purchase Program.

Additionally, the Federal Reserve has proposed regulation requiring future results of these stress tests to be disclosed, which may influence bank regulatory supervisory requirements concerning the Company and impact the amount or timing of dividends or distributions to the Company s shareholders on an annual basis.

Total controlling interest shareholders equity at December 31, 2011 was $6,985 million compared to $6,648 million at December 31, 2010, an increase of 5.1%. The increase in total controlling interest shareholders equity from December 31, 2010 is primarily due to $323.8 million of net income applicable to controlling interest, $256 million of subordinated debt converting into preferred stock, and $25 million from the issuance of common stock partially offset by $93 million of unrealized losses on investment securities recorded in other comprehensive income and $156.1 million of dividends paid on preferred and common stock. The net increase in unrealized losses on securities and derivatives recognized in other comprehensive income during 2011 resulted from the effects of higher levels of volatility and increased credit spreads in fixed income securities markets, due in part to the uncertainty of the resolution of the European debt situation. The increase in unrealized losses on CDO securities is consistent with general buyer withdrawal from risk assets in the second half of the year.

Note 19 of the Notes to Consolidated Financial Statements provides additional information on risk-based capital. In addition, Liquidity Risk on page 83 and Notes 13 and 14 of the Notes to Consolidated Financial Statements discuss the Company s debt and equity transactions during 2011.

Conversions of convertible subordinated debt into preferred stock have augmented the Company s capital position and reduced future refinancing needs. From the original modification in June 2009 through December 2011, $663 million of debt has been extinguished and $773 million of preferred capital has been added. Schedule 36 shows the effect the conversions had on Tier 1 capital and outstanding convertible subordinated debt.

Schedule 36

IMPACT OF CONVERTIBLE SUBORDINATED DEBT

	Year Ended December 31,		
(In millions)	**2011**	**2010**	**2009**
Preferred equity			
Convertible subordinated debt converted to preferred stock	$ 256	$ 343	$ 63
Beneficial conversion feature reclassified from common to preferred stock	43	57	11
Change in preferred equity	299	400	74
Common equity			
Gain on subordinated debt modification, net of tax			314
Accelerated convertible subordinated debt discount amortization, net of tax	(94)	(148)	(22)
Beneficial conversion feature added to common stock			203
Beneficial conversion feature reclassified from common to preferred stock	(43)	(57)	(11)
Change in common equity	(137)	(205)	484
Net impact on Tier 1 capital	$ 162	$ 195	$ 558
Convertible subordinated debt outstanding	$ 547	$ 803	$ 1,146

The Company s net income applicable to controlling interest of $323.8 million during 2011 more than offset the $137 million decrease in common equity resulting from subordinated debt conversions. During 2010, the Company s various issuances of new common stock and warrants to purchase common stock totaling $838 million more than offset the $205 million decrease in common equity resulting from subordinated debt conversions.

On February 16, 2012, the Company filed a Form 8-K disclosing that as of February 15, 2012, holders of subordinated notes elected to convert a combined $29.8 million principal amount of these notes into the Company s preferred stock. The Company expects an additional 29,404 shares of Series C and 370 shares of

Table of Contents

Series A preferred stock will be issued on March 15, 2012, unless the elections are revoked prior to that date. Also, $5.1 million of the original beneficial conversion feature will be reclassified into preferred stock from common stock as a result of this conversion. The expected pretax accelerated discount amortization attributable to the conversions will be approximately $12.2 million in the first quarter of 2012, compared to $5.8 million in the fourth quarter of 2011.

The Company paid $7.4 million in dividends on common stock during 2011. The dividends paid per share of $0.01 each quarter in 2011 were unchanged from the rate paid since the third quarter of 2009. Under the terms of the CPP, the Company may not increase the dividend on its common stock above $0.32 per share per quarter during the period the senior preferred shares are outstanding without adversely impacting the Company s interest in the program or without permission from the U.S. Department of the Treasury. The Company does not expect to increase its common dividend until sometime after all of its TARP CPP preferred stock has been repaid.

The Company recorded preferred stock dividends of $170.4 million and $122.9 million during 2011 and 2010, respectively. Preferred dividends for 2011 and 2010 include $91.6 million and $90.2 million, respectively, related to the TARP preferred stock issued to the U.S. Department of the Treasury, consisting of cash payments of $70.0 million in both 2011 and 2010 and accretion of $21.6 million and $20.2 million in 2011 and 2010, respectively, for the difference between the fair value and par amount of the TARP preferred stock when issued.

Banking organizations are required under published regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. The Company s capital ratios are shown in Schedule 37.

Schedule 37

CAPITAL RATIOS

		December 31,	
	2011	**2010**	**2009**
Tangible common equity ratio	6.77%	6.99%	6.12%
Tangible equity ratio	11.33	11.10	9.16
Average equity to average assets	13.36	11.99	10.98
Risk-based capital ratios:			
Tier 1 common to risk-weighted assets	9.57	8.95	6.73
Tier 1 leverage	13.40	12.56	10.38
Tier 1 risk-based capital	16.13	14.78	10.53
Total risk-based capital	18.06	17.15	13.28

The Company expects that it (and the banking industry as a whole) will be required by market forces and/or regulation, including new standards (Basel III) promulgated in December 2010 and revised in June 2011 by the Basel Committee on Banking Supervision, to operate with higher capital ratios than in the past. Therefore, during 2011, we continued our efforts to preserve and augment capital in response to these anticipated regulatory changes and in preparation for the eventual repayment of TARP CPP preferred stock, rather than return more capital to shareholders in the form of higher dividends or share repurchases.

At December 31, 2011, regulatory Tier 1 risk-based capital and total risk-based capital were $6,946 million and $7,780 million, respectively, compared to $6,350 million and $7,364 million at December 31, 2010.

GAAP to NON-GAAP RECONCILIATION

1. Tier 1 common equity

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

Table of Contents

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

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

Schedule 38 provides a reconciliation of controlling interest shareholders equity (GAAP) to Tier 1 capital (regulatory) and to Tier 1 common equity (non-GAAP) using current U.S. regulatory treatment and not proposed Basel III calculations.

Schedule 38

TIER 1 COMMON EQUITY (NON-GAAP)

		December 31,	
(Amounts in millions)	**2011**	**2010**	**2009**
Controlling interest shareholders equity (GAAP)	$ 6,985	$ 6,648	$ 5,693
Accumulated other comprehensive (income) loss	592	461	437
Non-qualifying goodwill and intangibles	(1,083)	(1,103)	(1,129)
Disallowed deferred tax assets		(106)	(43)
Other regulatory adjustments	4	2	1
Qualifying trust preferred securities	448	448	448
Tier 1 capital (regulatory)	6,946	6,350	5,407
Qualifying trust preferred securities	(448)	(448)	(448)
Preferred stock	(2,377)	(2,057)	(1,503)
Tier 1 common equity (non-GAAP)	$ 4,121	$ 3,845	$ 3,456
Risk-weighted assets (regulatory)	$ 43,077	$ 42,950	$ 51,360
Tier 1 common to risk-weighted assets (non-GAAP)	9.57%	8.95%	6.73%

Table of Contents

2. Core net interest margin and core net interest income

This Annual Report on Form 10-K presents a core net interest margin and a core net interest income which exclude the effects of the (1) periodic discount amortization on convertible subordinated debt; (2) accelerated discount amortization on convertible subordinated debt which has been converted; and (3) additional accretion of interest income on acquired loans based on increased projected cash flows.

Schedules 39 and 40 provide a reconciliation of net interest margin/income (GAAP) to core net interest margin/income (non-GAAP).

Schedule 39

NET INTEREST MARGIN TO CORE NET INTEREST MARGIN

	Year Ended December 31,		
	2011	**2010**	**2009**
Net interest margin as reported (GAAP)	3.81%	3.73%	3.94%
Adjust for the impact on net interest margin of:			
Discount amortization on convertible subordinated debt	0.10	0.12	0.06
Accelerated discount amortization on convertible subordinated debt	0.25	0.37	0.07
Additional accretion of interest income on acquired loans	-0.17	-0.10	
Core net interest margin (non-GAAP)	3.99%	4.12%	4.07%

Schedule 40

NET INTEREST INCOME TO CORE NET INTEREST INCOME

	Year Ended December 31,		
(In millions)	**2011**	**2010**	**2009**
Net interest income (GAAP)	$ 1,772.5	$ 1,727.4	$ 1,897.6
Adjust for the impact on net interest income of:			
Discount amortization on convertible subordinated debt	46.0	58.0	26.9
Accelerated discount amortization on convertible subordinated debt	115.6	172.4	35.7
Additional accretion of interest income on acquired loans	(78.4)	(46.8)	
Core net interest income (non-GAAP)	$ 1,855.7	$ 1,911.0	$ 1,960.2

3. Income (loss) before income taxes and subordinated debt modification and conversions

This Annual Report on Form 10-K presents Income (loss) before income taxes and subordinated debt modification and conversions which excludes the effects of the (1) periodic discount amortization on convertible subordinated debt, (2) accelerated discount amortization on convertible subordinated debt which has been converted, and (3) gain on subordinated debt modification.

Schedule 2 on page 35 provides a reconciliation of income (loss) before income taxes (GAAP) to income (loss) before income taxes and subordinated debt conversions (non-GAAP).

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

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

92

Schedule 41 provides a reconciliation of total shareholders equity (GAAP) to both tangible equity (non-GAAP) and tangible common equity (non-GAAP).

Schedule 41

TANGIBLE EQUITY (NON-GAAP) AND

TANGIBLE COMMON EQUITY (NON-GAAP)

	December 31,		
(Amounts in millions)	2011	2010	2009
Total shareholders equity (GAAP)	$ 6,983	$ 6,647	$ 5,710
Goodwill	(1,015)	(1,015)	(1,015)
Core deposit and other intangibles	(68)	(88)	(114)
Tangible equity (non-GAAP) (a)	5,900	5,544	4,581
Preferred stock	(2,377)	(2,057)	(1,503)
Noncontrolling interests	2	1	(17)
Tangible common equity (non-GAAP) (b)	$ 3,525	$ 3,488	$ 3,061
Total assets (GAAP)	$ 53,149	$ 51,035	$ 51,123
Goodwill	(1,015)	(1,015)	(1,015)
Core deposit and other intangibles	(68)	(88)	(114)
Tangible assets (non-GAAP) (c)	$ 52,066	$ 49,932	$ 49,994
Tangible equity ratio (a/c)	11.33%	11.10%	9.16%
Tangible common equity ratio (b/c)	6.77%	6.99%	6.12%

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

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this Item is included in Interest Rate and Market Risk Management in MD&A beginning on page 79 and is hereby incorporated by reference.

93

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT ON MANAGEMENT S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Zions Bancorporation and subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15.

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

The Company s management has assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2011 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company s internal control over financial reporting that have been identified by the Company s management.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2011, and has also issued an attestation report, which is included herein, on internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (PCAOB).

Table of Contents

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries

We have audited Zions Bancorporation and subsidiaries internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Zions Bancorporation and subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management s Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, Zions Bancorporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2011 and 2010 and the related consolidated statements of income, changes in shareholders equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011 of Zions Bancorporation and subsidiaries and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah

February 29, 2012

Table of Contents

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zions Bancorporation and subsidiaries internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah

February 29, 2012

Table of Contents

CONSOLIDATED BALANCE SHEETS

ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands, except share amounts)	December 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 1,224,350	$ 924,126
Money market investments:		
Interest-bearing deposits	7,020,895	4,576,008
Federal funds sold and security resell agreements	102,159	130,305
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $729,974 and $788,354)	807,804	840,642
Available-for-sale, at fair value	3,230,795	4,205,742
Trading account, at fair value	40,273	48,667
	4,078,872	5,095,051
Loans held for sale	201,590	206,286
Loans:		
Loans and leases excluding FDIC-supported loans	36,526,661	35,896,395
FDIC-supported loans	751,091	971,377
	37,277,752	36,867,772
Less:		
Unearned income and fees, net of related costs	133,100	120,341
Allowance for loan losses	1,049,958	1,440,341
Loans and leases, net of allowance	36,094,694	35,307,090
Other noninterest-bearing investments	865,231	858,367
Premises and equipment, net	719,276	720,985
Goodwill	1,015,129	1,015,161
Core deposit and other intangibles	67,830	87,898
Other real estate owned	153,178	299,577
Other assets	1,605,905	1,814,032
	$ 53,149,109	$ 51,034,886
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest-bearing demand	$ 16,110,857	$ 13,653,929
Interest-bearing:		
Savings and NOW	7,159,101	6,362,138
Money market	14,616,740	15,090,833
Time	3,413,550	4,173,449
Foreign	1,575,361	1,654,651
	42,875,609	40,935,000
Securities sold, not yet purchased	44,486	42,548
Federal funds purchased and security repurchase agreements	608,098	722,258
Other short-term borrowings	70,273	166,394
Long-term debt	1,954,462	1,942,622
Reserve for unfunded lending commitments	102,422	111,708
Other liabilities	510,531	467,142

Total liabilities	46,165,881	44,387,672
Shareholders equity:		
Preferred stock, without par value, authorized 4,400,000 shares	2,377,560	2,056,672
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,135,388 and 182,784,086 shares	4,163,242	4,163,619
Retained earnings	1,036,590	889,284
Accumulated other comprehensive income (loss)	(592,084)	(461,296)
Controlling interest shareholders equity	6,985,308	6,648,279
Noncontrolling interests	(2,080)	(1,065)
Total shareholders equity	6,983,228	6,647,214
	$ 53,149,109	$ 51,034,886

See accompanying notes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME

ZIONS BANCORPORATION AND SUBSIDIARIES

	Year Ended December 31,		
(In thousands, except per share amounts)	2011	2010	2009
Interest income:			
Interest and fees on loans	$ 2,066,274	$ 2,185,239	$ 2,350,050
Interest on money market investments	13,832	10,946	7,914
Interest on securities:			
Held-to-maturity	35,716	33,405	54,327
Available-for-sale	87,105	88,035	100,307
Trading account	2,000	2,220	2,728
Total interest income	2,204,927	2,319,845	2,515,326
Interest expense:			
Interest on deposits	128,479	196,112	424,684
Interest on short-term borrowings	6,685	12,561	14,720
Interest on long-term debt	297,232	383,783	178,390
Total interest expense	432,396	592,456	617,794
Net interest income	1,772,531	1,727,389	1,897,532
Provision for loan losses	74,407	852,138	2,016,927
Net interest income after provision for loan losses	1,698,124	875,251	(119,395)
Noninterest income:			
Service charges and fees on deposit accounts	174,435	199,748	212,562
Other service charges, commissions and fees	169,490	165,341	156,539
Trust and wealth management income	26,683	27,452	29,949
Capital markets and foreign exchange	31,407	37,636	50,313
Dividends and other investment income	42,428	33,074	26,631
Loan sales and servicing income	28,072	29,382	22,261
Fair value and nonhedge derivative income (loss)	(4,980)	(15,827)	113,779
Equity securities gains (losses), net	6,511	(5,993)	(1,825)
Fixed income securities gains (losses), net	11,868	11,055	(3,846)
Impairment losses on investment securities:			
Impairment losses on investment securities	(77,325)	(156,452)	(569,866)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	43,642	71,097	289,403
Net impairment losses on investment securities	(33,683)	(85,355)	(280,463)
Valuation losses on securities purchased			(212,092)
Gain on subordinated debt modification			508,945
Gain on subordinated debt exchange		14,471	
Acquisition related gains			169,186
Other	29,607	29,478	12,162
Total noninterest income	481,838	440,462	804,101
Noninterest expense:			
Salaries and employee benefits	874,293	825,344	818,837
Occupancy, net	112,537	113,559	112,201
Furniture and equipment	105,703	101,061	99,878
Other real estate expense	77,570	144,815	110,800
Credit related expense	61,629	71,205	44,979

Provision for unfunded lending commitments	(9,286)	(4,737)	65,511
Legal and professional services	38,992		