

ZIONS BANCORPORATION /UT/

Form 10-K

February 29, 2012

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**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)

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**UTAH**  
(State or other jurisdiction of  
incorporation or organization)

**87-0227400**  
(Internal Revenue Service Employer

**One South Main, 15<sup>th</sup> Floor**

Identification Number)

**Salt Lake City, Utah**  
(Address of principal executive offices)

**84133**  
(Zip Code)

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

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

| <b>Title of Each Class</b>  | <b>Name of Each Exchange on Which Registered</b> |
|---|--|
| 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                          |
| Depository Shares each representing a 1/40 <sup>th</sup> ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock         | New York Stock Exchange                          |
| Depository Shares each representing a 1/40 <sup>th</sup> ownership interest in a share of Series C 9.5% Non-Cumulative Perpetual Preferred Stock                  | New York Stock Exchange                          |
| Depository Shares each representing a 1/40 <sup>th</sup> 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  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

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

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

Indicate by check mark 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  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

|  |                    |
|--|--------------------|
| 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**

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**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, expect, intend, plan, projects, or similar expressions.

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

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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

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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](http://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.        |



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|                |  |
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| 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            |

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**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.

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**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-

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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.

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### *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



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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.



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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.

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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.

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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](http://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.



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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

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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;

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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





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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.

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***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.

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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.



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**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.

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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 <sup>1</sup> | 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                        |  |   |

<sup>1</sup> 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**

| <i>(In millions, except per share amounts)</i>           | <b>2011/2010<br/>Change</b> | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|--|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>For the Year</b>                                      |                             |             |             |             |             |             |
| 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       |
| <b>Per Common Share</b>                                  |                             |             |             |             |             |             |
| 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 <sup>1</sup>                                  |                             | 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  |                             | 25.60       | 30.29       | 25.52       | 57.05       | 88.56       |
| Market price low   |                             | 13.18       | 12.88       | 5.90        | 17.53       | 45.70       |
| <b>At Year-End</b>                                       |                             |             |             |             |             |             |
| 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          |
| <b>Performance Ratios</b>                                |                             |             |             |             |             |             |
| 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%       |
| <b>Capital Ratios<sup>1</sup></b>                        |                             |             |             |             |             |             |
| 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%       |
| <b>Selected Information</b>                              |                             |             |             |             |             |             |
| Average common and common-equivalent shares              |                             |             |             |             |             |             |
| <i>(in thousands)</i>                                    |                             | 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         |

<sup>1</sup> At year-end.<sup>2</sup> 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.*

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### **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 financial 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 19<sup>th</sup> 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 1<sup>st</sup> nationally in providing loans to small businesses through the SBA 504 lending program. It ranked 7<sup>th</sup> 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;

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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

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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.

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### ***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.

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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.

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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.*



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*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.

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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<br>better/(worse) |
|---|--------------------------------|------------|--------------------------|
|   | <i>(In billions)</i>           |            |                          |
| 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)%                     |
|   | <i>(In millions)</i>           |            |                          |
| 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                   |
|   | <i>(In millions of shares)</i> |            |                          |
| 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



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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

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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 judgment, 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;

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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

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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

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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:



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\$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.

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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.

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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**

| <i>(In millions)</i>   | 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.

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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

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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**

| <i>(Amounts in millions)</i>                                     | Average<br>balance | 2011<br>Amount<br>of<br>interest <sup>1</sup> | Average<br>rate | Average<br>balance | 2010<br>Amount<br>of<br>interest <sup>1</sup> | Average<br>rate |
|--|--------------------|---|-----------------|--------------------|---|-----------------|
| <b>ASSETS:</b>   |                    |   |                 |                    |   |                 |
| 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            |
| <b>Total securities</b>  | <b>4,770</b>       | <b>136.3</b>                                  | <b>2.86</b>     | <b>4,343</b>       | <b>138.0</b>                                  | <b>3.18</b>     |
| Loans held for sale  | 146                | 5.7   | 3.94            | 187                | 8.9   | 4.78            |
| Loans:   |                    |   |                 |                    |   |                 |
| Net loans and leases excluding FDIC-supported loans <sup>2</sup> | 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            |
| <b>Total loans and leases</b>                                    | <b>36,798</b>      | <b>2,069.3</b>                                | <b>5.62</b>     | <b>38,250</b>      | <b>2,183.7</b>                                | <b>5.71</b>     |
| <b>Total interest-earning assets</b>                             | <b>47,070</b>      | <b>2,225.1</b>                                | <b>4.73</b>     | <b>46,865</b>      | <b>2,341.6</b>                                | <b>5.00</b>     |
| 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              |   |                 |
| <b>Total assets</b>  | <b>\$ 51,410</b>   |   |                 | <b>\$ 51,627</b>   |   |                 |
| <b>LIABILITIES:</b>  |                    |   |                 |                    |   |                 |
| 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            |
| <b>Total interest-bearing deposits</b>                           | <b>26,741</b>      | <b>128.5</b>                                  | <b>0.48</b>     | <b>28,412</b>      | <b>196.1</b>                                  | <b>0.69</b>     |
| 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           |
| <b>Total borrowed funds</b>                                      | <b>2,745</b>       | <b>303.9</b>                                  | <b>11.07</b>    | <b>3,129</b>       | <b>396.4</b>                                  | <b>12.67</b>    |

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|   |           |            |       |           |            |       |
|---|-----------|------------|-------|-----------|------------|-------|
| 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% |

<sup>1</sup> Taxable-equivalent rates used where applicable.

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



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| Average balance | 2009 Amount of interest <sup>1</sup> | Average rate | Average balance | 2008 Amount of interest <sup>1</sup> | Average rate | Average balance | 2007 Amount of interest <sup>1</sup> | 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          |                                      |              |

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|            |           |            |       |            |       |
|------------|-----------|------------|-------|------------|-------|
| 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% |

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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**

| <i>(Amounts in millions)</i>                                     | 2011 over 2010           |                   |                  | 2010 over 2009           |                   |                  |
|--|--------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
|  | Changes due to<br>Volume | Rate <sup>1</sup> | Total<br>changes | Changes due to<br>Volume | Rate <sup>1</sup> | Total<br>changes |
| <b>INTEREST-EARNING ASSETS:</b>                                  |                          |                   |                  |                          |                   |                  |
| 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 <sup>2</sup> | (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)          |
| <b>INTEREST-BEARING LIABILITIES:</b>                             |                          |                   |                  |                          |                   |                  |
| 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)       |

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<sup>1</sup> Taxable-equivalent income used where applicable.

<sup>2</sup> 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.

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### **Provisions for Credit Losses**

The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the allowance for loan losses at an adequate level based upon the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments at an adequate level based upon the inherent risks associated with such commitments. In determining adequate levels of the allowance and reserve, we perform periodic evaluations of the Company's various 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.

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

*Schedule 5***NONINTEREST INCOME**

| <i>(Amounts in millions)</i>   | <b>2011</b>     | <b>Percent<br/>change</b> | <b>2010</b>     | <b>Percent<br/>change</b> | <b>2009</b>     |
|--|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| 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<br>(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            |
| <b>Total</b>   | <b>\$ 481.8</b> | <b>9.4</b>                | <b>\$ 440.5</b> | <b>(45.2)</b>             | <b>\$ 804.1</b> |

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.



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Capital markets and foreign exchange includes trading income, public finance fees, foreign exchange income, and other capital market related fees. In 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)**

| <i>(Amounts in millions)</i>  | <b>2011</b>     | <b>Percent change</b> | <b>2010</b>      | <b>Percent change</b> | <b>2009</b>     |
|---|-----------------|-----------------------|------------------|-----------------------|-----------------|
| 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)           |
| <b>Total</b>  | <b>\$ (5.0)</b> | <b>68.4</b>           | <b>\$ (15.8)</b> | <b>(113.9)</b>        | <b>\$ 113.8</b> |

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



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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**

| <i>(Amounts in millions)</i>                       | 2011       | Percent<br>change | 2010       | Percent<br>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**

| <i>(Dollar amounts in millions)</i>  | 2011     | Percent<br>change | 2010     | Percent<br>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 |

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|  |        |     |        |        |
|--|--------|-----|--------|--------|
| 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.

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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.

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**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.

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Schedule 9

**SELECTED SEGMENT INFORMATION**

| (All amounts in millions)                  | 2011      | Zions Bank<br>2010 | 2009      | 2011      | CB&T<br>2010 | 2009      | 2011      | Amegy<br>2010 | 2009      | 2011     | NBA<br>2010 | 2009     |
|--|-----------|--------------------|-----------|-----------|--------------|-----------|-----------|---------------|-----------|----------|-------------|----------|
| <b>FINANCIAL INFORMATION</b>               |           |                    |           |           |              |           |           |               |           |          |             |          |
| Assets                                     | \$ 17,531 | \$ 16,157          | \$ 17,652 | \$ 10,894 | \$ 10,766    | \$ 11,097 | \$ 12,282 | \$ 11,406     | \$ 11,145 | \$ 4,485 | \$ 4,397    | \$ 4,537 |
| Deposits                                   | 14,905    | 13,631             | 13,823    | 9,192     | 9,219        | 9,760     | 9,731     | 8,906         | 8,880     | 3,731    | 3,696       | 3,731    |
| Income (loss) applicable to                |           |                    |           |           |              |           |           |               |           |          |             |          |
| Rolling interest                           | 150.5     | (48.4)             | (202.9)   | 134.4     | 58.8         | (50.2)    | 161.6     | 58.6          | (780.4)   | 25.5     | (7.9)       | (144.4)  |
| Interest margin                            | 4.65%     | 4.39%              | 3.68%     | 5.20%     | 5.04%        | 4.88%     | 3.91%     | 3.98%         | 3.90%     | 4.14%    | 4.30%       | 3.91%    |
| <b>RISK-BASED CAPITAL RATIOS</b>           |           |                    |           |           |              |           |           |               |           |          |             |          |
| Capital leverage                           | 11.59%    | 10.43%             | 8.84%     | 10.96%    | 9.94%        | 8.81%     | 14.41%    | 13.84%        | 11.79%    | 13.65%   | 12.71%      | 11.59%   |
| Common 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%      | 14.41%   |
| Advanced 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%      | 15.08%   |
| <b>CREDIT QUALITY</b>                      |           |                    |           |           |              |           |           |               |           |          |             |          |
| Provision 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     | \$ 291.1 |
| Loan 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       | 214.4    |
| Ratio of net charge-offs to average        |           |                    |           |           |              |           |           |               |           |          |             |          |
| Loans and leases                           | 1.41%     | 2.39%              | 1.77%     | 0.65%     | 1.77%        | 1.65%     | 0.92%     | 2.02%         | 1.65%     | 1.66%    | 3.33%       | 5.08%    |
| Provision for loan losses                  | \$ 336    | \$ 388             | \$ 359    | \$ 186    | \$ 258       | \$ 223    | \$ 231    | \$ 340        | \$ 379    | \$ 98    | \$ 143      | \$ 209   |
| Ratio of allowance for loan losses to net  |           |                    |           |           |              |           |           |               |           |          |             |          |
| Loans 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%       | 5.08%    |
| Ratio of 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    | \$ 320.1 |
| Ratio of nonperforming lending-related     |           |                    |           |           |              |           |           |               |           |          |             |          |
| Assets to net loans and leases and other   | 2.23%     | 4.31%              | 5.45%     | 2.36%     | 3.22%        | 7.28%     | 3.11%     | 5.40%         | 6.52%     | 3.89%    | 6.22%       | 8.08%    |
| State owned                                |           |                    |           |           |              |           |           |               |           |          |             |          |
| Performing 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      | \$ 14.4  |
| Ratio of accruing loans past due 90        |           |                    |           |           |              |           |           |               |           |          |             |          |
| Days 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%       | 0.04%    |

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|   | 2011      | NSB<br>2010 | 2009     | 2011     | Vectra<br>2010 | 2009     | 2011    | TCBW<br>2010 | 2009    |
|---|-----------|-------------|----------|----------|----------------|----------|---------|--------------|---------|
| <b>KEY FINANCIAL INFORMATION</b>  |           |             |          |          |                |          |         |              |         |
| 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%   |
| <b>RISK-BASED CAPITAL RATIOS</b>  |           |             |          |          |                |          |         |              |         |
| 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%  |
| <b>CREDIT QUALITY</b>   |           |             |          |          |                |          |         |              |         |
| 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 3<sup>rd</sup> largest full-service commercial bank in Utah and the 3<sup>rd</sup> 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 14<sup>th</sup> 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.



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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 8<sup>th</sup> 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 5<sup>th</sup> 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 4<sup>th</sup> 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.

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### **Vectra Bank Colorado**

Vectra Bank Colorado, N.A. is the 10<sup>th</sup> 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.

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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.

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Schedule 10

**INVESTMENT SECURITIES PORTFOLIO****ASSET-BACKED SECURITIES CLASSIFIED AT HIGHEST CREDIT RATING\*****AT DECEMBER 31, 2011**

| <i>(In millions)</i>                                 | Par<br>value | Amortized<br>cost | Net unrealized<br>gains<br>(losses)<br>recognized<br>in<br>OCI <sup>1</sup> | Carrying<br>value | Net unrealized<br>gains<br>(losses)<br>not<br>recognized<br>in OCI <sup>1</sup> | Estimated<br>fair value |
|--|--------------|-------------------|---|-------------------|---|-------------------------|
| <b>Held-to-maturity:</b>                             |              |                   |   |                   |   |                         |
| Municipal securities                                 | \$ 567       | \$ 565            | \$  | \$ 565            | \$ 7  | \$ 572                  |
| <b>Asset-backed securities:</b>                      |              |                   |   |                   |   |                         |
| Trust preferred securities predominantly bank        |              |                   |   |                   |   |                         |
| Noninvestment grade                                  | 57           | 57                | (6)   | 51                | (34)  | 17                      |
| Noninvestment grade OTTI/PIK <sup>2</sup> 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                     |
| <b>Other</b>   |              |                   |   |                   |   |                         |
| Noninvestment grade                                  | 19           | 18                |   | 18                | (7)   | 11                      |
| Noninvestment grade OTTI/PIK <sup>2</sup> d          | 11           | 6                 | (3)   | 3                 |   | 3                       |
|  | 30           | 24                | (3)   | 21                | (7)   | 14                      |
|  | 861          | 852               | (44)  | 808               | (78)  | 730                     |
| <b>Available-for-sale:</b>                           |              |                   |   |                   |   |                         |
| 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                     |
| <b>Asset-backed securities:</b>                      |              |                   |   |                   |   |                         |
| 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 <sup>2</sup> 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                      |

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|  |          |          |          |          |                  |
|--|----------|----------|----------|----------|------------------|
| Noninvestment grade                                      | 188      | 188      | (72)     | 116      | 116              |
| Noninvestment grade OTTI/PIK <sup>2</sup> 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 <sup>2</sup> 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 <sup>2</sup> 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.

<sup>1</sup> Other comprehensive income. All amounts reported are pretax.

<sup>2</sup> 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**

| <i>(In millions)</i>                                 | Par<br>value | Amortized<br>cost | Net unrealized<br>gains<br>(losses)<br>recognized<br>in<br>OCI <sup>1</sup> | Carrying<br>value | Net unrealized<br>gains<br>(losses)<br>not<br>recognized<br>in OCI <sup>1</sup> | Estimated<br>fair value |
|--|--------------|-------------------|---|-------------------|---|-------------------------|
| <b>Held-to-maturity:</b>                             |              |                   |   |                   |   |                         |
| 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 <sup>2</sup> 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 <sup>2</sup> d          | 11           | 6                 | (3)   | 3                 |   | 3                       |
|  | 30           | 24                | (3)   | 21                | (7)   | 14                      |
|  | 861          | 852               | (44)  | 808               | (78)  | 730                     |
| <b>Available-for-sale:</b>                           |              |                   |   |                   |   |                         |
| 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 <sup>2</sup> 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 <sup>2</sup> d          | 6            | 6                 | (3)   | 3                 |   | 3                       |

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|  |          |          |          |          |                  |
|--|----------|----------|----------|----------|------------------|
|  | 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 <sup>2</sup> 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 <sup>2</sup> 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.

<sup>1</sup> Other comprehensive income. All amounts reported are pretax.

<sup>2</sup> 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 12***INVESTMENT SECURITIES PORTFOLIO**

| <i>(In millions)</i>                                     | December 31, 2011 |                   |                            | December 31, 2010 |                   |                            | December 31, 2009 |                   |                            |
|--|-------------------|-------------------|----------------------------|-------------------|-------------------|----------------------------|-------------------|-------------------|----------------------------|
|  | Amortized<br>cost | Carrying<br>value | Estimated<br>fair<br>value | Amortized<br>cost | Carrying<br>value | Estimated<br>fair<br>value | Amortized<br>cost | Carrying<br>value | Estimated<br>fair<br>value |
| <b>Held-to-maturity:</b>                                 |                   |                   |                            |                   |                   |                            |                   |                   |                            |
| 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                     |
| <b>Available-for-sale:</b>                               |                   |                   |                            |                   |                   |                            |                   |                   |                            |
| 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



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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         |            |
|   |                                    | Incremental | Cumulative         | Incremental | Cumulative |
| <b>Currently Modeled Assumptions</b>  |                                    |             |                    |             |            |
| <b>Expected collateral credit losses<sup>1</sup></b>  |                                    |             |                    |             |            |
| Loss percentage from currently defaulted or deferring collateral <sup>2</sup>   |                                    |             | 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%      |
| <b>Discount rate<sup>3</sup></b>  |                                    |             |                    |             |            |
| Weighted average spread over LIBOR  |                                    | 827 bp      |                    | 1170 bp     |            |
| <b>Sensitivity of Modeled Assumptions</b>   |                                    |             |                    |             |            |
| Increase (decrease) in fair value due to increase in projected loss percentage from currently performing collateral <sup>4</sup>  |                                    |             |                    |             |            |
|   | 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 <sup>4</sup> 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 <sup>5</sup>  | +1%                                | \$ 3.0      |                    | \$ 29.6     |            |
| increase in prepayment assumption <sup>6</sup>  | +2%                                | 5.9         |                    | 57.1        |            |

<sup>1</sup> 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.

<sup>2</sup> 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%.

<sup>3</sup> The discount rate is a spread over the LIBOR swap yield curve at the date of valuation.

<sup>4</sup> 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.

<sup>5</sup> Prepayment rate for small banks increased to 4% per year for each year through maturity.

<sup>6</sup> *Prepayment rate for small banks increased to 5% per year for each year through maturity.*

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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

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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

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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**

| (Dollar amounts in millions)                             | Number of securities | % of portfolio | Par value         | Total             |                      |                   | Credit loss      |                   | Valuation losses <sup>1</sup> |
|--|----------------------|----------------|-------------------|-------------------|----------------------|-------------------|------------------|-------------------|-------------------------------|
|  |                      |                |                   | 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)            |                  |                   |                               |
| <b>Total non-OTTI</b>                                    |                      | <b>59.1</b>    | <b>1,355.3</b>    | <b>1,264.4</b>    | <b>810.6</b>         | <b>(453.8)</b>    |                  |                   | <b>(99.6)</b>                 |
| 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)            |                               |
| <b>Total OTTI</b>  |                      | <b>40.9</b>    | <b>937.1</b>      | <b>666.2</b>      | <b>144.9</b>         | <b>(521.3)</b>    | <b>(28.2)</b>    | <b>(271.4)</b>    | <b>(1.9)</b>                  |
| <b>Total noninvestment grade bank and insurance CDOs</b> |                      | <b>100.0%</b>  | <b>\$ 2,292.4</b> | <b>\$ 1,930.6</b> | <b>\$ 955.5</b>      | <b>\$ (975.1)</b> | <b>\$ (28.2)</b> | <b>\$ (271.4)</b> | <b>\$ (101.5)</b>             |

|   | Par value | Average holding <sup>2</sup> |                      |                        |
|---|-----------|------------------------------|----------------------|------------------------|
|   |           | 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)                  |

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

<sup>2</sup> The Company may have more than one holding of the same security.

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## 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 <sup>1</sup> | % of original collateral defaulted <sup>2</sup> | % of original collateral deferring <sup>3</sup> | Subordination as a % of performing collateral <sup>4</sup> | Collateralization % <sup>5</sup> | Present value of expected cash flows discounted at coupon rate as a % of par <sup>6</sup> | Lifetime additional projected loss from performing collateral <sup>7</sup> |
|---|-----------------------|---------------------------------|--|---|---|--|----------------------------------|---|--|
| 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) <sup>8</sup>                                       | 69.56 <sup>9</sup>               | 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) <sup>8</sup>  | 82.89 <sup>9</sup>               | 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  |

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

<sup>2</sup> Collateral is identified as defaulted when a regulator closes an issuing bank.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

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<sup>6</sup> For OTTI securities, this statistic approximates the extent of OTTI credit losses taken.

<sup>7</sup> 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.

<sup>8</sup> Negative subordination is projected to be remedied by excess spread prior to maturity.

<sup>9</sup> Collateralization shortfall is projected to be remedied by excess spread prior to maturity.



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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**

| <i>(Amounts in millions)</i>                             | <b>Total securities</b> |               | <b>Within one year</b> |               | <b>After one but within five years</b> |               | <b>After five but within ten years</b> |               | <b>After ten years</b> |               |
|--|-------------------------|---------------|------------------------|---------------|--|---------------|--|---------------|------------------------|---------------|
|  | <b>Amount</b>           | <b>Yield*</b> | <b>Amount</b>          | <b>Yield*</b> | <b>Amount</b>                          | <b>Yield*</b> | <b>Amount</b>                          | <b>Yield*</b> | <b>Amount</b>          | <b>Yield*</b> |
| <b>Held-to-maturity:</b>                                 |                         |               |                        |               |  |               |  |               |                        |               |
| Municipal securities                                     | \$ 565                  | 6.5%          | \$ 53                  | 6.1%          | \$ 200                                 | 6.5%          | \$ 130                                 | 6.5%          | \$ 182                 | 6.7%          |
| <b>Asset-backed securities:</b>                          |                         |               |                        |               |  |               |  |               |                        |               |
| 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           |
| <b>Available-for-sale:</b>                               |                         |               |                        |               |  |               |  |               |                        |               |
| U.S. Treasury securities                                 | 4                       | 2.5           | 3                      | 0.1           | 1                                      | 8.5           |  |               |                        |               |
| <b>U.S. Government agencies and corporations:</b>        |                         |               |                        |               |  |               |  |               |                        |               |
| 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           |
| <b>Asset-backed securities:</b>                          |                         |               |                        |               |  |               |  |               |                        |               |
| 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.*

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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**

| <i>(In millions)</i>           | December 31, |        |
|--------------------------------|--------------|--------|
|                                | 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

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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**

| <i>(In millions)</i>                   | <b>December 31,<br/>2011</b> |      |
|--|------------------------------|------|
| Assumption changes on bank collateral  |                              |      |
| Increased prepayment rate <sup>1</sup> | \$                           | 11.0 |
| Increased medium-term PDs <sup>2</sup> |                              | 4.6  |
| Increased long-term PDs <sup>2</sup>   |                              | 2.5  |
| Credit deterioration                   |                              | 11.3 |
| Homebuilder bankruptcy                 |                              | 4.3  |
|  | \$                           | 33.7 |

<sup>1</sup> For small banks

<sup>2</sup> 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**

| <i>(In millions)</i>                       | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2011</b>         | <b>2010</b> |
| 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    |

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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

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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.

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Schedule 20

**LOAN PORTFOLIO BY TYPE AND MATURITY**

| (In millions)                               | December 31, 2011 |                             |                  | Total            | December 31,     |                  |                  |                  |
|---|-------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | One year or less  | One year through five years | Over five years  |                  | 2010             | 2009             | 2008             | 2007             |
| <b>Commercial:</b>                          |                   |                             |                  |                  |                  |                  |                  |                  |
| 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              |
| <b>Total commercial</b>                     | <b>6,323</b>      | <b>5,418</b>                | <b>7,683</b>     | <b>19,424</b>    | <b>18,234</b>    | <b>19,205</b>    | <b>20,664</b>    | <b>18,504</b>    |
| <b>Commercial real estate:</b>              |                   |                             |                  |                  |                  |                  |                  |                  |
| 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            |
| <b>Total commercial real estate</b>         | <b>1,974</b>      | <b>4,323</b>                | <b>3,885</b>     | <b>10,182</b>    | <b>11,149</b>    | <b>12,807</b>    | <b>13,712</b>    | <b>13,205</b>    |
| <b>Consumer:</b>                            |                   |                             |                  |                  |                  |                  |                  |                  |
| 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              |
| <b>Total consumer</b>                       | <b>332</b>        | <b>662</b>                  | <b>5,927</b>     | <b>6,921</b>     | <b>6,514</b>     | <b>6,870</b>     | <b>7,415</b>     | <b>7,335</b>     |
| FDIC-supported loans                        | 201               | 257                         | 293              | 751              | 971              | 1,445            |                  |                  |
| <b>Total loans</b>                          | <b>\$ 8,830</b>   | <b>\$ 10,660</b>            | <b>\$ 17,788</b> | <b>\$ 37,278</b> | <b>\$ 36,868</b> | <b>\$ 40,327</b> | <b>\$ 41,791</b> | <b>\$ 39,044</b> |
| <b>Loans maturing:</b>                      |                   |                             |                  |                  |                  |                  |                  |                  |
| With fixed interest rates                   | \$ 1,363          | \$ 4,370                    | \$ 3,377         | \$ 9,110         |                  |                  |                  |                  |
| With variable interest rates                | 7,467             | 6,290                       | 14,411           | 28,168           |                  |                  |                  |                  |
| <b>Total</b>                                | <b>\$ 8,830</b>   | <b>\$ 10,660</b>            | <b>\$ 17,788</b> | <b>\$ 37,278</b> |                  |                  |                  |                  |

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.

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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**

| <i>(In millions)</i>                | December 31,  |               |
|-------------------------------------|---------------|---------------|
|                                     | 2011          | 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            |
|                                     | <b>\$ 865</b> | <b>\$ 858</b> |

**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.



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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

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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**

| <i>(Amounts in millions)</i>                | December 31, 2011 |                  | December 31, 2010 |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Amount            | % of total loans | Amount            | % of total loans |
| <b>Commercial:</b>                          |                   |                  |                   |                  |
| 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            |                  |
| <b>Commercial real estate:</b>              |                   |                  |                   |                  |
| 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            |                  |
| <b>Consumer:</b>                            |                   |                  |                   |                  |
| 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,



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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**

| <i>(Amounts in millions)</i>             | <b>December 31,<br/>2011</b> | <b>Percent<br/>guaranteed</b> |
|--|------------------------------|-------------------------------|
| Commercial                               | \$ 581                       | 74%                           |
| Commercial real estate                   | 20                           | 75                            |
| Consumer                                 | 2                            | 100                           |
| <br>Total excluding FDIC-supported loans | <br>\$ 603                   | <br>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**

| <i>(Amounts in millions)</i>                    | <b>December 31, 2011</b> |                | <b>December 31, 2010</b> |                |
|---|--------------------------|----------------|--------------------------|----------------|
|   | <b>Amount</b>            | <b>Percent</b> | <b>Amount</b>            | <b>Percent</b> |
| 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 <sup>1</sup>                              | 3,626                    | 18.7           | 3,353                    | 18.4           |
| <br>Total                                       | <br>\$ 19,424            | <br>100.0%     | <br>\$ 18,234            | <br>100.0%     |

<sup>1</sup> 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.

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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)*

| Loan Type  | Balance <sup>1</sup> | Collateral Location |                        |                        |             |             |              |             | Utah /<br>Idaho | Wash-<br>ington | Other        | Product as<br>a % of<br>total<br>CRE | Product as<br>a % of<br>loan<br>type |
|--|----------------------|---------------------|------------------------|------------------------|-------------|-------------|--------------|-------------|-----------------|-----------------|--------------|--------------------------------------|--------------------------------------|
|  |                      | Arizona             | Northern<br>California | Southern<br>California | Nevada      | Colorado    | Texas        |             |                 |                 |              |                                      |                                      |
| <b>Commercial term</b>                               |                      |                     |                        |                        |             |             |              |             |                 |                 |              |                                      |                                      |
| 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                                 |                                      |
| <b>Total</b>   | <b>\$ 7,767</b>      | <b>9.91</b>         | <b>4.34</b>            | <b>21.23</b>           | <b>7.06</b> | <b>5.16</b> | <b>10.93</b> | <b>8.51</b> | <b>2.18</b>     | <b>9.07</b>     | <b>78.39</b> | <b>100.00</b>                        |                                      |
| <b>Residential construction and land development</b> |                      |                     |                        |                        |             |             |              |             |                 |                 |              |                                      |                                      |
| 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                                 |                                      |
| <b>Total</b>   | <b>740</b>           | <b>0.97</b>         | <b>0.25</b>            | <b>1.05</b>            | <b>0.43</b> | <b>0.35</b> | <b>2.67</b>  | <b>1.44</b> | <b>0.05</b>     | <b>0.26</b>     | <b>7.47</b>  | <b>100.00</b>                        |                                      |
| <b>Commercial construction and land development</b>  |                      |                     |                        |                        |             |             |              |             |                 |                 |              |                                      |                                      |
| 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                                 |                                      |
| <b>Total</b>   | <b>1,402</b>         | <b>1.58</b>         | <b>0.39</b>            | <b>1.48</b>            | <b>0.90</b> | <b>1.67</b> | <b>4.38</b>  | <b>3.09</b> | <b>0.25</b>     | <b>0.40</b>     | <b>14.14</b> | <b>100.00</b>                        |                                      |
| 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       |                                      |                                      |

<sup>1</sup> Excludes approximately \$273 million of unsecured loans outstanding, but related to the real estate industry.

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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

| Loan Type  | As of Date | Collateral Location |                     |                     |          |          |            |              |            |                    | Total      | % of total CRE |
|--|------------|---------------------|---------------------|---------------------|----------|----------|------------|--------------|------------|--------------------|------------|----------------|
|  |            | Arizona             | Northern California | Southern California | Nevada   | Colorado | Texas      | Utah / Idaho | Washington | Other <sup>1</sup> |            |                |
| <b>Commercial term</b>                               |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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 <sup>2</sup> :                     |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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%           |
| <sup>3</sup> 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      |                |
| <b>Residential construction and land development</b> |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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 <sup>2</sup> :                     |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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%          |
| <sup>3</sup> 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      |                |
| <b>Commercial construction and land development</b>  |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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 <sup>2</sup> :                     |            |                     |                     |                     |          |          |            |              |            |                    |            |                |
| 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%           |
| <sup>3</sup> 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 |                |

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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% |
|------------------------------|----------|------------|----------|------------|----------|----------|------------|------------|----------|----------|-------------|--------|

<sup>1</sup> No other geography exceeds \$119 million for all three loan types.

<sup>2</sup> Delinquency rates include nonaccrual loans.



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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.

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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

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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**

| <i>(In millions)</i> | Year of origination |        |        |       |       |        | Total    |
|----------------------|---------------------|--------|--------|-------|-------|--------|----------|
|                      | 2006 and prior      | 2007   | 2008   | 2009  | 2010  | 2011   |          |
| 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.



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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.

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Schedule 29

**NONPERFORMING LENDING-RELATED ASSETS**

| <i>(Amounts in millions)</i>   | 2011            | 2010            | December 31,<br>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            |
| <b>Total nonperforming lending-related assets, excluding FDIC-supported assets</b>                             | <b>1,015</b>    | <b>1,752</b>    | <b>2,359</b>         | <b>1,138</b>    | <b>274</b>    |
| 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                  |                 |               |
| <b>Total nonperforming lending-related assets</b>  | <b>\$ 1,063</b> | <b>\$ 1,828</b> | <b>\$ 2,769</b>      | <b>\$ 1,138</b> | <b>\$ 274</b> |
| Ratio of nonperforming lending-related assets to net loans and leases <sup>1</sup> 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                   |                 |               |
| <b>Total</b>   | <b>\$ 94</b>    | <b>\$ 142</b>   | <b>\$ 163</b>        | <b>\$ 130</b>   | <b>\$ 77</b>  |

|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Ratio of accruing loans past due 90 days or more to net loans and leases <sup>1</sup> | 0.25% | 0.38% | 0.40% | 0.31% | 0.20% |
|---|-------|-------|-------|-------|-------|

<sup>1</sup> 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**

| <i>(In millions)</i>             | <b>December 31,</b> |               |
|----------------------------------|---------------------|---------------|
|                                  | <b>2011</b>         | <b>2010</b>   |
| Restructured loans – accruing    | \$ 448              | \$ 388        |
| Restructured loans – nonaccruing | 296                 | 367           |
| <b>Total</b>                     | <b>\$ 744</b>       | <b>\$ 755</b> |

**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**

| <i>(Amounts in millions)</i>  | 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%   |



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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,**

| <i>(Amounts in millions)</i> | 2011             |                         | 2010             |                         | 2009             |                         | 2008             |                         | 2007             |                         |
|------------------------------|------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|
|                              | % 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 |
| <b>Type of Loan</b>          |                  |                         |                  |                         |                  |                         |                  |                         |                  |                         |
| 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

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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 through 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.



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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.

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Schedule 33

**DURATION OF EQUITY AND INTEREST SENSITIVE INCOME**

|   | December 31,<br>2011       |       | December 31,<br>2010 |       |
|---|----------------------------|-------|----------------------|-------|
|   | Fast                       | Slow  | Fast                 | Slow  |
| <b>Duration of equity<sup>1</sup>:</b>                        |                            |       |                      |       |
| 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  |
| <b>Income simulation change in interest sensitive income:</b> |                            |       |                      |       |
| Increase interest rates by 200 bp                             | 7.4%                       | 10.0% | 3.1%                 | 6.0%  |
| Decrease interest rates by 200 bp <sup>2</sup>                | -2.0                       | -2.3  | -2.5                 | -2.7  |

<sup>1</sup> The duration of equity is the modified duration reported in percentages.

<sup>2</sup> 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.

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### ***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



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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**

| <i>(In millions)</i>  | One<br>year<br>or less | Over<br>one year<br>through<br>three years | Over<br>three years<br>through<br>five years | Over<br>five<br>years | Indeterminable<br>maturity <sup>1</sup> | 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<br>noninterest-bearing investments <sup>2</sup> | 44                     |  |  |                       |   | 44        |
| Securities sold, not yet purchased  | 44                     |  |  |                       |   | 44        |
| Federal funds purchased and security repurchase<br>agreements                         | 608                    |  |  |                       |   | 608       |
| Other short-term borrowings   | 70                     |  |  |                       |   | 70        |
| Long-term debt <sup>3</sup>   | 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 |

<sup>1</sup> Indeterminable maturity deposits include noninterest-bearing demand, savings and money market, and non-time foreign.

<sup>2</sup> 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.

<sup>3</sup> The maturities on long-term borrowings do not include the associated hedges.



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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's 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

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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/  | Subordinated debt | Short-term/             |
|---------------|----------|--------------------|-------------------|-------------------------|
|               |          | senior debt rating | rating            | 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.

**Subsidiary Bank Liquidity:** 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.

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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,

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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.

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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.

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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**

| <i>(In millions)</i>  | Year Ended December 31, |        |          |
|---|-------------------------|--------|----------|
|   | 2011                    | 2010   | 2009     |
| <b>Preferred equity</b>   |                         |        |          |
| 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       |
| <b>Common equity</b>  |                         |        |          |
| 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





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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**

|                                       | 2011  | December 31,<br>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

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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)**

| <i>(Amounts in millions)</i>                     | 2011      | December 31,<br>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       |
| <br>   |           |                      |           |
| 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)   |
| <br>   |           |                      |           |
| Tier 1 common equity (non-GAAP)                  | \$ 4,121  | \$ 3,845             | \$ 3,456  |
| <br>   |           |                      |           |
| 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**

| <i>(In millions)</i>   | Year Ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 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.



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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)**

| <i>(Amounts in millions)</i>                 | <b>2011</b>      | <b>December 31,<br/>2010</b> | <b>2009</b>      |
|--|------------------|------------------------------|------------------|
| 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)             |
| <b>Tangible common equity (non-GAAP) (b)</b> | <b>\$ 3,525</b>  | <b>\$ 3,488</b>              | <b>\$ 3,061</b>  |
| Total assets (GAAP)                          | \$ 53,149        | \$ 51,035                    | \$ 51,123        |
| Goodwill                                     | (1,015)          | (1,015)                      | (1,015)          |
| Core deposit and other intangibles           | (68)             | (88)                         | (114)            |
| <b>Tangible assets (non-GAAP) (c)</b>        | <b>\$ 52,066</b> | <b>\$ 49,932</b>             | <b>\$ 49,994</b> |
| 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.



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**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 ).



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**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

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**REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

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

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 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*

| <i>(In thousands, except share amounts)</i>   | <b>December 31,</b> |               |
|---|---------------------|---------------|
|   | <b>2011</b>         | <b>2010</b>   |
| <b>ASSETS</b>   |                     |               |
| 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 |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                     |               |
| 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       |

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|   |               |               |
|---|---------------|---------------|
| Total liabilities   | 46,165,881    | 44,387,672    |
| <b>Shareholders' equity:</b>  |               |               |
| 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*

| <i>(In thousands, except per share amounts)</i>   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2011                    | 2010             | 2009             |
| <b>Interest income:</b>   |                         |                  |                  |
| 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            |
| <b>Interest on securities:</b>  |                         |                  |                  |
| 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            |
| <b>Total interest income</b>  | <b>2,204,927</b>        | <b>2,319,845</b> | <b>2,515,326</b> |
| <b>Interest expense:</b>  |                         |                  |                  |
| 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          |
| <b>Total interest expense</b>   | <b>432,396</b>          | <b>592,456</b>   | <b>617,794</b>   |
| <b>Net interest income</b>  | <b>1,772,531</b>        | <b>1,727,389</b> | <b>1,897,532</b> |
| Provision for loan losses   | 74,407                  | 852,138          | 2,016,927        |
| <b>Net interest income after provision for loan losses</b>  | <b>1,698,124</b>        | <b>875,251</b>   | <b>(119,395)</b> |
| <b>Noninterest income:</b>  |                         |                  |                  |
| 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)          |
| <b>Impairment losses on investment securities:</b>  |                         |                  |                  |
| 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          |
| <b>Net impairment losses on investment securities</b>   | <b>(33,683)</b>         | <b>(85,355)</b>  | <b>(280,463)</b> |
| 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           |
| <b>Total noninterest income</b>   | <b>481,838</b>          | <b>440,462</b>   | <b>804,101</b>   |
| <b>Noninterest expense:</b>   |                         |                  |                  |
| 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           |

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|  |                   |                     |                       |
|--|-------------------|---------------------|-----------------------|
| Provision for unfunded lending commitments                         | (9,286)           | (4,737)             | 65,511                |
| Legal and professional services                                    | 38,992            | 39,540              | 37,197                |
| Advertising  | 27,164            | 24,820              | 22,982                |
| FDIC premiums  | 63,918            | 101,990             | 100,517               |
| Amortization of core deposit and other intangibles                 | 20,070            | 25,517              | 31,674                |
| Other  | 286,099           | 275,767             | 226,934               |
| <b>Total noninterest expense</b>                                   | <b>1,658,689</b>  | <b>1,718,881</b>    | <b>1,671,510</b>      |
| Impairment loss on goodwill  |                   |                     | 636,216               |
| <b>Income (loss) before income taxes</b>                           | <b>521,273</b>    | <b>(403,168)</b>    | <b>(1,623,020)</b>    |
| Income taxes (benefit)   | 198,583           | (106,819)           | (401,343)             |
| <b>Net income (loss)</b>   | <b>322,690</b>    | <b>(296,349)</b>    | <b>(1,221,677)</b>    |
| Net income (loss) applicable to noncontrolling interests           | (1,114)           | (3,621)             | (5,566)               |
| <b>Net income (loss) applicable to controlling interest</b>        | <b>323,804</b>    | <b>(292,728)</b>    | <b>(1,216,111)</b>    |
| Preferred stock dividends  | (170,414)         | (122,884)           | (102,969)             |
| Preferred stock redemption   |                   | 3,107               | 84,633                |
| <b>Net earnings (loss) applicable to common shareholders</b>       | <b>\$ 153,390</b> | <b>\$ (412,505)</b> | <b>\$ (1,234,447)</b> |
| <b>Weighted average common shares outstanding during the year:</b> |                   |                     |                       |
| Basic shares   | 182,393           | 166,054             | 124,443               |
| Diluted shares   | 182,605           | 166,054             | 124,443               |
| <b>Net earnings (loss) per common share:</b>                       |                   |                     |                       |
| Basic  | \$ 0.83           | \$ (2.48)           | \$ (9.92)             |
| Diluted  | 0.83              | (2.48)              | (9.92)                |

*See accompanying notes to consolidated financial statements.*

**Table of Contents****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME***ZIONS BANCORPORATION AND SUBSIDIARIES*

| <i>(In thousands, except share and per share amounts)</i>  | Common stock    |             | Retained earnings | Accumulated other comprehensive income (loss) | Noncontrolling interests | Total shareholders equity |              |
|--|-----------------|-------------|-------------------|---|--------------------------|---------------------------|--------------|
|  | Preferred stock | Shares      |                   |   |                          |                           | Amount       |
| <b>Balance at December 31, 2008</b>  | \$ 1,581,834    | 115,344,813 | \$ 2,599,916      | \$ 2,418,904                                  | \$ (98,958)              | \$ 27,320                 | \$ 6,529,016 |
| Cumulative effect of change in accounting principle, adoption of new OTTI guidance under ASC 320 |                 |             |                   | 137,462                                       | (137,462)                |                           |              |
| Comprehensive loss:  |                 |             |                   |   |                          |                           |              |
| Net loss   |                 |             |                   | (1,216,111)                                   |                          | (5,566)                   | (1,221,677)  |
| Other comprehensive income (loss), net of tax:   |                 |             |                   |   |                          |                           |              |
| Net realized and unrealized holding losses on investments and retained interests                 |                 |             |                   |   | (65,037)                 |                           |              |
| Reclassification for net losses on investments included in earnings                              |                 |             |                   |   | 162,206                  |                           |              |
| Noncredit-related impairment losses on securities not expected to be sold                        |                 |             |                   |   | (174,244)                |                           |              |
| Accretion of securities with noncredit-related impairment losses not expected to be sold         |                 |             |                   |   | 996                      |                           |              |
| Net unrealized losses on derivative instruments  |                 |             |                   |   | (128,597)                |                           |              |
| Pension and postretirement   |                 |             |                   |   | 4,197                    |                           |              |
| Other comprehensive loss   |                 |             |                   |   | (200,479)                |                           | (200,479)    |
| Total comprehensive loss   |                 |             |                   |   |                          |                           | (1,422,156)  |
| Preferred stock redemption   | (100,511)       |             | 1,763             | 52,266  |                          |                           | (46,482)     |
| Preferred stock exchanged for common stock   | (71,537)        | 2,816,834   | 38,486            | 32,367  |                          |                           | (684)        |
| Subordinated debt converted to preferred stock   | 74,438          |             | (10,998)          |   |                          |                           | 63,440       |
| Issuance of common stock   |                 | 31,741,425  | 464,110           |   |                          |                           | 464,110      |
| Subordinated debt modification   |                 |             | 202,814           |   |                          |                           | 202,814      |
| Net activity under employee plans and related tax benefits                                       |                 | 521,998     | 22,326            |   |                          |                           | 22,326       |
| Dividends on preferred stock   | 18,560          |             |                   | (102,969)                                     |                          |                           | (84,409)     |
| Dividends on common stock, \$0.10 per share  |                 |             |                   | (11,862)                                      |                          |                           | (11,862)     |
| Change in deferred compensation  |                 |             |                   | (1,701)                                       |                          |                           | (1,701)      |
| Other changes in noncontrolling interests  |                 |             |                   |   |                          | (4,155)                   | (4,155)      |
| <b>Balance at December 31, 2009</b>  | 1,502,784       | 150,425,070 | 3,318,417         | 1,308,356                                     | (436,899)                | 17,599                    | 5,710,257    |
| Comprehensive loss:  |                 |             |                   |   |                          |                           |              |
| Net loss   |                 |             |                   | (292,728)                                     |                          | (3,621)                   | (296,349)    |
| Other comprehensive income (loss), net of tax:   |                 |             |                   |   |                          |                           |              |
| Net realized and unrealized holding gains on investments   |                 |             |                   |   | 4,248                    |                           |              |
| Reclassification for net losses on investments included in earnings                              |                 |             |                   |   | 45,689                   |                           |              |
| Noncredit-related impairment losses on securities not expected to be sold                        |                 |             |                   |   | (43,920)                 |                           |              |
| Accretion of securities with noncredit-related impairment losses not expected to be sold         |                 |             |                   |   | 131                      |                           |              |
|  |                 |             |                   |   | (37,357)                 |                           |              |

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|  |         |            |           |           |
|--|---------|------------|-----------|-----------|
| Net unrealized losses on derivative instruments            |         |            |           |           |
| Pension and postretirement                                 |         |            | 6,812     |           |
| Other comprehensive loss                                   |         |            | (24,397)  | (24,397)  |
| Total comprehensive loss                                   |         |            |           | (320,746) |
| Subordinated debt converted to preferred stock             |         |            |           |           |
|  | 399,785 |            | (56,834)  | 342,951   |
| Issuance of preferred stock                                | 142,500 |            | (3,843)   | 138,657   |
| Preferred stock exchanged for common stock                 | (8,615) | 224,903    | 5,508     | 3,107     |
| Issuance of common stock warrants                          |         |            | 214,563   | 214,563   |
| Subordinated debt exchanged for common stock               |         |            |           |           |
|  |         | 2,165,391  | 46,902    | 46,902    |
| Issuance of common stock                                   |         | 29,553,957 | 623,469   | 623,469   |
| Net activity under employee plans and related tax benefits |         |            |           |           |
|  |         | 414,765    | 15,437    | 15,437    |
| Dividends on preferred stock                               | 20,218  |            | (122,884) | (102,666) |
| Dividends on common stock, \$0.04 per share                |         |            | (6,650)   | (6,650)   |
| Change in deferred compensation                            |         |            | 83        | 83        |
| Other changes in noncontrolling interests                  |         |            | (15,043)  | (15,043)  |



**Table of Contents****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND****COMPREHENSIVE INCOME** (Continued)

## ZIONS BANCORPORATION AND SUBSIDIARIES

| (In thousands, except share and per share amounts)                                       | Common stock    |             |              | Retained earnings | Accumulated other comprehensive income (loss) | Noncontrolling interests | Total shareholders equity |
|--|-----------------|-------------|--------------|-------------------|---|--------------------------|---------------------------|
|  | Preferred stock | Shares      | Amount       |                   |   |                          |                           |
| <b>Balance at December 31, 2010</b>  | 2,056,672       | 182,784,086 | 4,163,619    | 889,284           | (461,296)                                     | (1,065)                  | 6,647,214                 |
| Comprehensive income:  |                 |             |              |                   |   |                          |                           |
| Net income (loss)  |                 |             |              | 323,804           |   | (1,114)                  | 322,690                   |
| Other comprehensive income (loss), net of tax:   |                 |             |              |                   |   |                          |                           |
| Net realized and unrealized holding losses on investments                                |                 |             |              |                   | (77,280)                                      |                          |                           |
| Reclassification for net losses on investments included in earnings                      |                 |             |              |                   | 12,852  |                          |                           |
| Noncredit-related impairment losses on securities not expected to be sold                |                 |             |              |                   | (26,481)                                      |                          |                           |
| Accretion of securities with noncredit-related impairment losses not expected to be sold |                 |             |              |                   | 410   |                          |                           |
| Net unrealized losses on derivative instruments  |                 |             |              |                   | (21,298)                                      |                          |                           |
| Pension and postretirement   |                 |             |              |                   | (18,991)                                      |                          |                           |
| Other comprehensive loss   |                 |             |              |                   | (130,788)                                     |                          | (130,788)                 |
| Total comprehensive income   |                 |             |              |                   |   |                          | 191,902                   |
| Subordinated debt converted to preferred stock   | 299,248         |             | (43,139)     |                   |   |                          | 256,109                   |
| Issuance of common stock   |                 | 1,067,540   | 25,048       |                   |   |                          | 25,048                    |
| Net activity under employee plans and related tax benefits                               |                 | 283,762     | 17,714       |                   |   |                          | 17,714                    |
| Dividends on preferred stock   | 21,640          |             |              | (170,414)         |   |                          | (148,774)                 |
| Dividends on common stock, \$0.04 per share  |                 |             |              | (7,361)           |   |                          | (7,361)                   |
| Change in deferred compensation  |                 |             |              | 1,277             |   |                          | 1,277                     |
| Other changes in noncontrolling interests  |                 |             |              |                   |   | 99                       | 99                        |
| <b>Balance at December 31, 2011</b>  | \$ 2,377,560    | 184,135,388 | \$ 4,163,242 | \$ 1,036,590      | \$ (592,084)                                  | \$ (2,080)               | \$ 6,983,228              |

See accompanying notes to consolidated financial statements.

**Table of Contents****CONSOLIDATED STATEMENTS OF CASH FLOWS***ZIONS BANCORPORATION AND SUBSIDIARIES*

| <i>(In thousands)</i>   | Year Ended December 31, |              |                |
|---|-------------------------|--------------|----------------|
|   | 2011                    | 2010         | 2009           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |              |                |
| Net income (loss)   | \$ 322,690              | \$ (296,349) | \$ (1,221,677) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:  |                         |              |                |
| Impairment and valuation losses on investment securities, goodwill, and long-lived assets | 35,686                  | 87,105       | 1,128,771      |
| Gains on subordinated debt modification and exchange                                      |                         | (14,471)     | (508,945)      |
| Gains from acquisitions and divestitures  |                         | (13,703)     | (169,186)      |
| Provision for credit losses   | 65,121                  | 847,401      | 2,082,438      |
| Depreciation and amortization   | 299,948                 | 372,754      | 213,040        |
| Deferred income tax expense (benefit)   | 115,604                 | (28,665)     | (15,071)       |
| Net decrease (increase) in trading securities   | 8,394                   | (25,124)     | 18,521         |
| Net decrease (increase) in loans held for sale  | 50,696                  | (32,953)     | (396)          |
| Net write-down and gains/losses from sales of other real estate owned                     | 58,676                  | 136,232      | 92,920         |
| Change in other liabilities   | 19,370                  | 241,936      | (423,154)      |
| Change in other assets  | 122,573                 | 220,441      | (146,722)      |
| Other, net  | (1,691)                 | (33,610)     | 7,925          |
| Net cash provided by operating activities   | 1,097,067               | 1,460,994    | 1,058,464      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                         |              |                |
| Net decrease (increase) in money market investments                                       | (2,416,741)             | (3,974,808)  | 1,975,107      |
| Proceeds from maturities and paydowns of investment securities held-to-maturity           | 101,893                 | 154,906      | 166,808        |
| Purchases of investment securities held-to-maturity                                       | (69,171)                | (86,568)     | (76,322)       |
| Proceeds from sales, maturities, and paydowns of investment securities available-for-sale | 2,206,881               | 1,084,074    | 1,261,655      |
| Purchases of investment securities available-for-sale                                     | (1,423,141)             | (1,717,518)  | (1,852,711)    |
| Proceeds from sales of loans and leases   | 17,609                  | 154,428      | 104,304        |
| Net loan and lease collections (originations)   | (1,214,007)             | 1,753,525    | 1,412,754      |
| Proceeds from surrender of bank-owned life insurance contracts                            |                         | 210,726      |                |
| Net decrease (increase) in other noninterest-bearing investments                          | 19,407                  | 29,493       | (19,580)       |
| Net purchases of premises and equipment   | (77,669)                | (79,071)     | (97,135)       |
| Proceeds from sales of other real estate owned  | 362,495                 | 523,967      | 315,229        |
| Net cash from acquisitions and divestitures   |                         | 21,149       | 452,192        |
| Net cash provided by (used in) investing activities                                       | (2,492,444)             | (1,925,697)  | 3,642,301      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                         |              |                |
| Net increase (decrease) in deposits   | 1,940,697               | (903,224)    | (2,154,495)    |
| Net change in short-term funds borrowed   | (208,541)               | (19,541)     | (3,007,062)    |
| Repayments of debt over 90 days and up to one year  |                         |              | (236,811)      |
| Proceeds from issuance of long-term debt  | 106,065                 | 150,413      | 704,022        |
| Repayments of long-term debt  | (8,663)                 | (73,558)     | (408,531)      |
| Cash paid for preferred stock redemption  |                         |              | (47,166)       |
| Proceeds from issuance of preferred stock, common stock, and common stock warrants        | 25,686                  | 977,145      | 464,110        |
| Dividends paid on common and preferred stock  | (156,135)               | (109,316)    | (96,271)       |
| Other, net  | (3,508)                 | (3,279)      | (24,348)       |
| Net cash provided by (used in) financing activities                                       | 1,695,601               | 18,640       | (4,806,552)    |
| Net increase (decrease) in cash and due from banks  | 300,224                 | (446,063)    | (105,787)      |
| Cash and due from banks at beginning of year  | 924,126                 | 1,370,189    | 1,475,976      |
| Cash and due from banks at end of year  | \$ 1,224,350            | \$ 924,126   | \$ 1,370,189   |

|  |            |            |            |
|--|------------|------------|------------|
| Cash paid for interest                           | \$ 263,338 | \$ 358,156 | \$ 577,799 |
| Net cash paid (refund received) for income taxes | 3,743      | (324,804)  | (131,187)  |

*See accompanying notes to consolidated financial statements.*

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*ZIONS BANCORPORATION AND SUBSIDIARIES*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Business***

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

***Basis of Financial Statement Presentation***

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

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

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

***Variable Interest Entities***

ASC 810, *Consolidation*, requires consolidation of a variable interest entity ( VIE ) when a company is the primary beneficiary of the VIE. Effective January 1, 2010, we adopted new accounting guidance under ASC 810 that amends previous guidance to determine whether an entity is a VIE. The new rules require continuous analysis on a qualitative rather than a quantitative basis to determine the primary beneficiary of a VIE. Upon adoption and periodically thereafter, we consider our consolidation conclusions for all entities with which we are involved and have concluded that there has not been a significant impact on the Company's financial statements.

***Statement of Cash Flows***

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

***Security Resell Agreements***

Security resell agreements represent overnight and term agreements with the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Company, or in some instances third parties

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on its behalf, take possession of the underlying securities. The fair value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for security resell agreements. If sold, our obligation to return the collateral is recorded as a liability and included in the balance sheet as securities sold, not yet purchased. At December 31, 2011, we held approximately \$46 million of securities for which we were permitted by contract to sell or repledge. The majority of these securities have been either pledged or otherwise transferred to others in connection with our financing activities, or to satisfy our commitments under short sales. Security resell agreements averaged approximately \$55 million during 2011, and the maximum amount outstanding at any month-end during 2011 was approximately \$72 million.

### ***Investment Securities***

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

Held-to-maturity ( *HTM* ) debt securities are stated at adjusted cost, net of unamortized premiums and unaccreted discounts. The Company has the intent and ability to hold such securities until recovery of their amortized cost basis.

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

We review quarterly our investment securities portfolio for any declines in value that are considered to be other-than-temporary impairment ( *OTTI* ). The process, methodology and factors considered to evaluate securities for OTTI are discussed further in Note 5. Credit-related OTTI is recognized in earnings while noncredit-related OTTI on securities not expected to be sold is recognized in OCI. OTTI is recognized as a realized loss through earnings when there has been an adverse change in the holder's best estimate of cash flows expected to be collected such that the entire amortized cost basis will not be received.

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

The fair values of investment securities are estimated according to ASC 820, *Fair Value Measurements and Disclosures*, as discussed in Notes 8 and 21.

### ***Loans and Allowance for Credit Losses***

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

Loans held for sale are carried at the lower of aggregate cost or fair value. Gains and losses are recorded in noninterest income based on the difference between sales proceeds and carrying value.

Loans that become other than current with respect to contractual payments due may be accounted for separately depending on the status of the loan, which is determined from certain credit quality indicators applied under the circumstances. The loan status includes past due, nonaccrual, impaired, modified, and restructured (including troubled debt restructurings). Our accounting policies for these loan types and our estimation of the related allowance for loan losses are discussed further in Note 6.

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Certain purchased loans require separate accounting procedures that are also discussed in Note 6.

The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded lending commitments, and represents our estimate of losses inherent in the loan portfolio that may be recognized from loans and lending commitments that are not recoverable. Further discussion of our estimation process for the allowance for credit losses is included in Note 6.

### ***Other Real Estate Owned***

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

### ***Nonmarketable Securities***

Nonmarketable securities are included in other noninterest-bearing investments on the balance sheet. These securities include certain venture capital securities and securities acquired for various debt and regulatory requirements. Nonmarketable venture capital securities are reported at estimated fair values, in the absence of readily ascertainable fair values. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated. The valuation procedures applied include consideration of economic and market conditions, current and projected financial performance of the investee company, and the investee company's management team. We believe that the cost of an investment is initially the best indication of estimated fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Other nonmarketable securities acquired for various debt and regulatory requirements are accounted for at cost.

### ***Premises and Equipment***

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

### ***Business Combinations***

Business combinations are accounted for under the purchase method of accounting in accordance with ASC 805, *Business Combinations*, which was modified effective January 1, 2009. Upon initially obtaining control, we recognize 100% of all acquired assets and all assumed liabilities regardless of the percentage owned. The assets and liabilities are recorded at their estimated fair values, with goodwill being recorded when such fair values are less than the cost of acquisition. Certain transaction and restructuring costs are expensed as incurred. Changes to our tax valuation allowances and uncertainty accruals from a business combination must be recognized as an adjustment to current income tax expense and not to goodwill over the subsequent annual period. Results of operations of the acquired business are included in our statement of income from the date of acquisition.

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### ***Goodwill and Identifiable Intangible Assets***

Goodwill and intangible assets deemed to have indefinite lives are not amortized. As required under ASC 350, *Intangibles – Goodwill and Other*, we subject these assets to annual specified impairment tests as of the beginning of the fourth quarter and more frequently if changing conditions warrant. Core deposit assets and other intangibles with finite useful lives are generally amortized on an accelerated basis using an estimated useful life of up to 12 years.

### ***Derivative Instruments***

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

### ***Commitments and Letters of Credit***

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

### ***Share-Based Compensation***

Share-based compensation generally includes grants of stock options, restricted stock, and other awards to employees and nonemployee directors. We account for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation*, and recognize them in the statement of income based on their fair values. See further discussion in Note 17.

### ***Income Taxes***

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

### ***Net Earnings Per Common Share***

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

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**Table of Contents****2. OTHER RECENT ACCOUNTING PRONOUNCEMENTS**

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. This new guidance under ASC 210, *Balance Sheet*, provides convergence to International Financial Reporting Standards ( IFRS ) to provide common disclosure requirements for the offsetting of financial instruments. Existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The new guidance is effective on a retrospective basis, including all prior periods presented, for interim and annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact this new guidance may have on the disclosures in the Company's financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*. This new accounting guidance under ASC 220, *Comprehensive Income*, provides convergence to IFRS and no longer allows presentation of OCI in the statement of changes in shareholders equity. Companies may present OCI in a continuous statement of comprehensive income or in a separate statement consecutive to the statement of income. For public entities, the new guidance is effective on a retrospective basis for interim and annual periods beginning after December 15, 2011.

In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This ASU under ASC 220 defers the requirements of ASU 2011-05 to display reclassification adjustments for each component of OCI in both net income and OCI and to present the components of OCI in interim financial statements. During 2012, the FASB will reconsider the reclassification requirements and the timing of their implementation. Management is currently evaluating the impact both of these ASUs will have on the disclosures in the Company's financial statements.

In April 2011, the FASB issued ASU 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*. The primary feature of this new accounting guidance under ASC 860, *Transfers and Servicing*, relates to the criteria that determine whether a sale or a secured borrowing occurred based on the transferor's maintenance of effective control over the transferred financial assets. The new guidance focuses on the transferor's contractual rights and obligations with respect to the transferred financial assets and not on the transferor's ability to perform under those rights and obligations. Accordingly, the collateral maintenance requirement is eliminated by ASU 2011-3 from the assessment of effective control. The new guidance will take effect prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. Management is currently evaluating the impact this new guidance may have on the Company's financial statements.

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

**3. MERGER AND ACQUISITION ACTIVITY**

In August 2011, we recognized a \$5.5 million gain in other noninterest income from the sale of BServ, Inc. (dba BankServ) stock. We acquired the stock of this privately-owned company when we sold substantially all of the assets of our NetDeposit subsidiary in September 2010. Similar to BankServ, NetDeposit specialized in remote deposit capture and electronic payment technologies. We recognized in other noninterest income a pretax gain of approximately \$13.7 million when we sold NetDeposit.

In July 2009, CB&T acquired the banking operations of the failed Vineyard Bank from the Federal Deposit Insurance Corporation ( FDIC ) as receiver. The acquisition consisted of approximately \$1.6 billion of assets, including \$1.4 billion of loans, \$1.5 billion of deposits, and 16 branches mostly located in the Inland Empire area of Southern California. CB&T assumed Vineyard's deposit obligations other than brokered deposits, and purchased most of Vineyard's assets, including all loans. CB&T received approximately \$87.5 million in cash from the FDIC.



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In April 2009, NSB acquired the banking operations of the failed Great Basin Bank of Nevada headquartered in Elko, Nevada, from the FDIC as receiver. The acquisition consisted of approximately \$212 million of assets, including the entire loan portfolio, \$209 million of deposits, and five branches in Northern Nevada. NSB received approximately \$17.8 million in cash from the FDIC.

In February 2009, CB&T acquired the banking operations of the failed Alliance Bank headquartered in Culver City, California from the FDIC as receiver. The acquisition consisted of approximately \$1.1 billion of assets, including the entire loan portfolio, \$1.0 billion of deposits, and five branches. CB&T received approximately \$10 million in cash from the FDIC.

In connection with the 2009 acquisitions, CB&T and NSB entered into loss sharing agreements with the FDIC for the purchased loans, as discussed further in Note 6. Because the fair value of net assets acquired exceeded cost, and taking into consideration the amounts of cash received from the FDIC, we recognized acquisition related gains of \$169.2 million.

**4. SUPPLEMENTAL CASH FLOW INFORMATION**

Noncash activities are summarized as follows:

| <i>(In thousands)</i>   | Year Ended December 31, |         |              |
|---|-------------------------|---------|--------------|
|   | 2011                    | 2010    | 2009         |
| Amortized cost of investment securities held-to-maturity transferred to investment securities available-for-sale            | \$                      | \$      | \$ 1,058,159 |
| Loans transferred to other real estate owned  | 301,454                 | 607,886 | 553,415      |
| Beneficial conversion feature of modified subordinated debt recorded in common stock  |                         |         | 202,814      |
| Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions | 43,139                  | 56,834  | 10,998       |
| Subordinated debt exchanged for common stock  |                         | 46,902  |              |
| Subordinated debt converted to preferred stock  | 256,109                 | 342,951 | 63,440       |
| Preferred stock exchanged for common stock  |                         | 5,508   | 38,486       |
| Acquisitions:   |                         |         |              |
| Assets acquired   |                         |         | 2,981,335    |
| Liabilities assumed   |                         |         | 2,929,448    |

**Table of Contents****5. INVESTMENT SECURITIES**

Investment securities are summarized as follows:

| <i>(In thousands)</i>                                    | December 31, 2011 |                                |                         |                |                        |                         |                      |
|--|-------------------|--------------------------------|-------------------------|----------------|------------------------|-------------------------|----------------------|
|  | Amortized cost    | Recognized in OCI <sup>1</sup> |                         | Carrying value | Not recognized in OCI  |                         | Estimated fair value |
|  |                   | Gross unrealized gains         | Gross unrealized losses |                | Gross unrealized gains | Gross unrealized losses |                      |
| <b>Held-to-maturity:</b>                                 |                   |                                |                         |                |                        |                         |                      |
| Municipal securities                                     | \$ 564,468        | \$                             | \$                      | \$ 564,468     | \$ 8,807               | \$ 1,083                | \$ 572,192           |
| <b>Asset-backed securities:</b>                          |                   |                                |                         |                |                        |                         |                      |
| Trust preferred securities banks and insurance           | 262,853           |                                | 40,546                  | 222,307        | 207                    | 78,191                  | 144,323              |
| Other  | 24,310            |                                | 3,381                   | 20,929         | 303                    | 7,868                   | 13,364               |
| Other debt securities                                    | 100               |                                |                         | 100            |                        | 5                       | 95                   |
|  | \$ 851,731        | \$                             | \$ 43,927               | \$ 807,804     | \$ 9,317               | \$ 87,147               | \$ 729,974           |
| <b>Available-for-sale:</b>                               |                   |                                |                         |                |                        |                         |                      |
| U.S. Treasury securities                                 | \$ 4,330          | \$ 304                         | \$                      | \$ 4,634       |                        |                         | \$ 4,634             |
| <b>U.S. Government agencies and corporations:</b>        |                   |                                |                         |                |                        |                         |                      |
| Agency securities  | 153,179           | 5,423                          | 122                     | 158,480        |                        |                         | 158,480              |
| Agency guaranteed mortgage-backed securities             | 535,228           | 18,211                         | 102                     | 553,337        |                        |                         | 553,337              |
| Small Business Administration loan-backed securities     | 1,153,039         | 12,119                         | 4,496                   | 1,160,662      |                        |                         | 1,160,662            |
| Municipal securities                                     | 120,677           | 3,191                          | 1,700                   | 122,168        |                        |                         | 122,168              |
| <b>Asset-backed securities:</b>                          |                   |                                |                         |                |                        |                         |                      |
| Trust preferred securities banks and insurance           | 1,794,427         | 15,792                         | 880,509                 | 929,710        |                        |                         | 929,710              |
| Trust preferred securities real estate investment trusts | 40,259            |                                | 21,614                  | 18,645         |                        |                         | 18,645               |
| Auction rate securities                                  | 71,338            | 164                            | 1,482                   | 70,020         |                        |                         | 70,020               |
| Other  | 64,646            | 1,028                          | 15,302                  | 50,372         |                        |                         | 50,372               |
|  | 3,937,123         | 56,232                         | 925,327                 | 3,068,028      |                        |                         | 3,068,028            |
| Mutual funds and other                                   | 162,606           | 167                            | 6                       | 162,767        |                        |                         | 162,767              |
|  | \$ 4,099,729      | \$ 56,399                      | \$ 925,333              | \$ 3,230,795   |                        |                         | \$ 3,230,795         |

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| (In thousands)   | December 31, 2010 |  |            |                         |                |   |           |                      |
|--|-------------------|--|------------|-------------------------|----------------|---|-----------|----------------------|
|  | Amortized cost    | Recognized in OCI <sup>1</sup><br>Gross unrealized gains |            | Gross unrealized losses | Carrying value | Not recognized in OCI<br>Gross unrealized gains |           | Estimated fair value |
| <b>Held-to-maturity:</b>                                 |                   |  |            |                         |                |   |           |                      |
| Municipal securities                                     | \$ 577,527        | \$   | \$         | \$                      | 577,527        | \$ 8,715  | \$ 3,606  | \$ 582,636           |
| <b>Asset-backed securities:</b>                          |                   |  |            |                         |                |   |           |                      |
| Trust preferred securities banks and insurance           | 263,621           |  | 24,243     |                         | 239,378        |   | 50,434    | 188,944              |
| Other  | 27,671            |  | 4,034      |                         | 23,637         | 897   | 7,860     | 16,674               |
| Other debt securities                                    | 100               |  |            |                         | 100            |   |           | 100                  |
|  | \$ 868,919        | \$   | \$ 28,277  | \$                      | 840,642        | \$ 9,612  | \$ 61,900 | \$ 788,354           |
| <b>Available-for-sale:</b>                               |                   |  |            |                         |                |   |           |                      |
| U.S. Treasury securities                                 | \$ 705,321        | \$ 329   | \$ 24      | \$                      | 705,626        |   |           | \$ 705,626           |
| <b>U.S. Government agencies and corporations:</b>        |                   |  |            |                         |                |   |           |                      |
| Agency securities  | 201,356           | 7,179  | 137        |                         | 208,398        |   |           | 208,398              |
| Agency guaranteed mortgage-backed securities             | 565,963           | 12,289   | 1,864      |                         | 576,388        |   |           | 576,388              |
| Small Business Administration loan-backed securities     | 867,506           | 6,703  | 6,324      |                         | 867,885        |   |           | 867,885              |
| Municipal securities                                     | 155,583           | 2,534  | 409        |                         | 157,708        |   |           | 157,708              |
| <b>Asset-backed securities:</b>                          |                   |  |            |                         |                |   |           |                      |
| Trust preferred securities banks and insurance           | 1,947,129         | 46,821   | 750,553    |                         | 1,243,397      |   |           | 1,243,397            |
| Trust preferred securities real estate investment trusts | 45,687            |  | 26,522     |                         | 19,165         |   |           | 19,165               |
| Auction rate securities                                  | 110,548           | 649  | 1,588      |                         | 109,609        |   |           | 109,609              |
| Other  | 103,047           | 1,784  | 24,125     |                         | 80,706         |   |           | 80,706               |
|  | 4,702,140         | 78,288   | 811,546    |                         | 3,968,882      |   |           | 3,968,882            |
| Mutual funds and other                                   | 236,779           | 81   |            |                         | 236,860        |   |           | 236,860              |
|  | \$ 4,938,919      | \$ 78,369  | \$ 811,546 | \$                      | 4,205,742      |   |           | \$ 4,205,742         |

<sup>1</sup> The gross unrealized losses recognized in OCI on HTM securities primarily resulted from a previous transfer of AFS securities to HTM.

During the first half of 2009, we reassessed the classification of certain asset-backed and trust preferred collateralized debt obligation ( CDO ) securities as part of our ongoing review of the investment securities portfolio. We reclassified approximately \$596 million at fair value of HTM securities to AFS. Unrealized losses added to OCI at the time of these transfers were \$128.9 million. The reclassifications were made subsequent to ratings downgrades, as permitted under ASC 320, *Investments – Debt and Equity Securities*. No gain or loss was recognized in the statement of income at the time of reclassification.

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of December 31, 2011 by expected maturity distribution for structured asset-backed security collateralized debt obligations ( ABS CDOs ) and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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| <i>(In thousands)</i>                  | Held-to-maturity |                      | Available-for-sale |                      |
|--|------------------|----------------------|--------------------|----------------------|
|  | Amortized cost   | Estimated fair value | Amortized cost     | Estimated fair value |
| Due in one year or less                | \$ 53,518        | \$ 53,738            | \$ 440,723         | \$ 413,168           |
| Due after one year through five years  | 210,563          | 206,840              | 1,076,777          | 985,455              |
| Due after five years through ten years | 179,177          | 158,329              | 780,273            | 660,265              |
| Due after ten years                    | 408,473          | 311,067              | 1,639,350          | 1,009,140            |
|  | \$ 851,731       | \$ 729,974           | \$ 3,937,123       | \$ 3,068,028         |

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

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

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|  | Less than 12 months     |                      | December 31, 2010<br>12 months or more |                      | Total                   |                      |
|--|-------------------------|----------------------|--|----------------------|-------------------------|----------------------|
|  | Gross unrealized losses | Estimated fair value | Gross unrealized losses                | Estimated fair value | Gross unrealized losses | Estimated fair value |
| <i>(In thousands)</i>                                    |                         |                      |  |                      |                         |                      |
| <b>Held-to-maturity:</b>                                 |                         |                      |  |                      |                         |                      |
| Municipal securities                                     | \$ 574                  | \$ 27,600            | \$ 3,032                               | \$ 23,828            | \$ 3,606                | \$ 51,428            |
| <b>Asset-backed securities:</b>                          |                         |                      |  |                      |                         |                      |
| Trust preferred securities banks and insurance           |                         |                      | 74,677                                 | 188,944              | 74,677                  | 188,944              |
| Other  |                         |                      | 11,894                                 | 16,674               | 11,894                  | 16,674               |
|  | \$ 574                  | \$ 27,600            | \$ 89,603                              | \$ 229,446           | \$ 90,177               | \$ 257,046           |
| <b>Available-for-sale:</b>                               |                         |                      |  |                      |                         |                      |
| U.S. Treasury securities                                 | \$ 24                   | \$ 400,778           | \$                                     | \$                   | \$ 24                   | \$ 400,778           |
| <b>U.S. Government agencies and corporations:</b>        |                         |                      |  |                      |                         |                      |
| Agency securities  | 111                     | 11,317               | 26                                     | 970                  | 137                     | 12,287               |
| Agency guaranteed mortgage-backed securities             | 1,864                   | 235,531              |  |                      | 1,864                   | 235,531              |
| Small Business Administration loan-backed securities     | 432                     | 116,101              | 5,892                                  | 400,447              | 6,324                   | 516,548              |
| Municipal securities                                     | 405                     | 14,928               | 4                                      | 391                  | 409                     | 15,319               |
| <b>Asset-backed securities:</b>                          |                         |                      |  |                      |                         |                      |
| Trust preferred securities banks and insurance           | 1,969                   | 87,973               | 748,584                                | 850,437              | 750,553                 | 938,410              |
| Trust preferred securities real estate investment trusts |                         |                      | 26,522                                 | 19,165               | 26,522                  | 19,165               |
| Auction rate securities                                  | 1,588                   | 68,178               |  |                      | 1,588                   | 68,178               |
| Other  |                         |                      | 24,125                                 | 44,628               | 24,125                  | 44,628               |
|  | \$ 6,393                | \$ 934,806           | \$ 805,153                             | \$ 1,316,038         | \$ 811,546              | \$ 2,250,844         |

At December 31, 2011 and 2010, respectively, 72 and 92 HTM and 525 and 628 AFS investment securities were in an unrealized loss position.

We conduct a formal review of investment securities on a quarterly basis for the presence of OTTI. Our review was made under ASC 320, which includes new guidance that we adopted effective January 1, 2009. We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date. Under these circumstances, OTTI is considered to have occurred if (1) we intend to sell the security; (2) it is more likely than not we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. The more likely than not criteria is a lower threshold than the probable criteria under previous guidance.

Credit-related OTTI is recognized in earnings while noncredit-related OTTI on AFS securities not expected to be sold is recognized in OCI. Noncredit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. Noncredit-related OTTI recognized in earnings previous to January 1, 2009 was reclassified from retained earnings to accumulated OCI as a cumulative effect adjustment.

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

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

The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at December 31, 2011:

### *Asset-backed securities*

Trust preferred securities – banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities related to banks and insurance companies (collateral issuers). They are rated by one or more Nationally Recognized Statistical Rating Organizations (NRSROs), which are rating agencies registered with the Securities and Exchange Commission (SEC). They were purchased generally at par. The primary drivers that have given rise to the unrealized losses on CDOs with bank and insurance collateral are listed below:

- i. Market yield requirements for bank CDO securities remain very high. The credit crisis resulted in significant utilization of both the unique five-year deferral option each collateral issuer maintains during the life of the CDO and the ability of junior CDO bonds to defer the payment of current interest. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the effective interest rates. All structured product fair values, including bank CDOs, deteriorated significantly during the credit crisis, generally reaching a low in mid-2009. Prices for some structured products, other than bank CDOs, have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to have unresolved questions surrounding collateral behavior, specifically including, but not limited to, the future number, size and timing of bank failures, and of allowed deferrals and subsequent resumption of payment of contractual interest.
- ii. Structural features of the collateral make these CDO tranches difficult for market participants to model. The first feature unique to bank CDOs is the interest deferral feature previously discussed. During the credit crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals either transition to default or alternatively come current prior to the five-year deadline is extremely difficult for market participants to assess. Our CDO pools include banks which first exercised this deferral option in the second quarter of 2008. A significant number of banks in our CDO pools have already come current after a period of deferral, while others are still deferring but remain within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind (PIK) feature which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid be capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. If the current

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market yield required by market participants equaled the effective interest rate of a security, a market participant should be indifferent between receiving current interest and capitalizing and compounding interest for later payment. However, given the difference between current market rates and effective interest rates of the securities, market participants are not indifferent. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

- iii. Ratings are generally below-investment-grade for even some of the most senior tranches. Rating agency opinions can vary significantly on a CDO tranche. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.
- iv. There is a lack of consistent disclosure by each CDO's trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for non-specialists in the product.
- v. At purchase, the expectation of cash flow variability was limited. As a result of the credit crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at December 31, 2011.

Trust preferred securities — real estate investment trusts ( REITs ): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit, collateral deterioration, widening of credit spreads for ABS securities, and general illiquidity in the CDO market. Based on our review, no OTTI was recorded for these securities at December 31, 2011.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart Funding LLC ( Lockhart ) at their carrying values and were then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality, widening of credit spreads for asset backed securities, and ratings downgrades of the underlying residential mortgage-backed securities collateral. Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at December 31, 2011.

***U.S. Government agencies and corporations***

Small Business Administration ( SBA ) loan-backed securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI was recorded for these securities at December 31, 2011.

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

| <i>(In thousands)</i>   | HTM        | 2011<br>AFS  | Total        | HTM        | 2010<br>AFS  | Total        |
|---|------------|--------------|--------------|------------|--------------|--------------|
| Balance of credit-related OTTI at beginning of year   | \$ (5,357) | \$ (335,682) | \$ (341,039) | \$ (5,206) | \$ (269,251) | \$ (274,457) |
| Additions:  |            |              |              |            |              |              |
| Credit-related OTTI not previously recognized <sup>1</sup>  | (769)      | (3,007)      | (3,776)      |            | (3,899)      | (3,899)      |
| Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis <sup>2</sup> |            | (29,907)     | (29,907)     | (151)      | (81,305)     | (81,456)     |
| Subtotal of amounts recognized in earnings  | (769)      | (32,914)     | (33,683)     | (151)      | (85,204)     | (85,355)     |
| Reductions for securities sold during the year  |            | 53,736       | 53,736       |            | 18,773       | 18,773       |
| Balance of credit-related OTTI at end of year   | \$ (6,126) | \$ (314,860) | \$ (320,986) | \$ (5,357) | \$ (335,682) | \$ (341,039) |

<sup>1</sup> Relates to securities not previously impaired.

<sup>2</sup> Relates to additional impairment on securities previously impaired.

To determine the credit component of OTTI for all security types, we utilize projected cash flows as the best estimate of fair value. These cash flows are credit adjusted using, among other things, assumptions for default probability assigned to each portion of performing collateral. The credit adjusted cash flows are discounted at a security specific effective rate to identify any OTTI, and then at a market rate for valuation purposes.

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

| <i>(In thousands)</i>                   | 2011      | 2010      | 2009       |
|---|-----------|-----------|------------|
| Noncredit-related OTTI, pretax:         |           |           |            |
| HTM                                     | \$ 20,945 | \$        | \$ 583     |
| AFS                                     | 22,697    | 71,097    | 288,820    |
| Total                                   | \$ 43,642 | \$ 71,097 | \$ 289,403 |
| Total noncredit-related OTTI, after-tax | \$ 26,481 | \$ 43,920 | \$ 174,244 |

As of January 1, 2009, we reclassified to OCI \$137.5 million after-tax as a cumulative effect adjustment for the noncredit-related portion of OTTI losses previously recognized in earnings.

Nontaxable interest income on securities was \$21.3 million in 2011, \$26.7 million in 2010, and \$30.4 million in 2009.



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

| (In thousands)                                 | 2011        |                    | 2010        |                    | 2009        |                     |
|--|-------------|--------------------|-------------|--------------------|-------------|---------------------|
|  | Gross gains | Gross losses       | Gross gains | Gross losses       | Gross gains | Gross losses        |
| <b>Investment securities:</b>                  |             |                    |             |                    |             |                     |
| Held-to-maturity                               | \$ 229      | \$ 769             | \$          | \$ 151             | \$          | \$ 3,301            |
| Available-for-sale                             | 21,793      | 43,068             | 11,153      | 85,302             | 9,976       | 499,970             |
| <b>Other noninterest-bearing investments:</b>  |             |                    |             |                    |             |                     |
| Nonmarketable equity securities                | 9,449       | 2,938              | 5,221       | 11,214             | 4,919       | 9,850               |
|  | 31,471      | 46,775             | 16,374      | 96,667             | 14,895      | 513,121             |
| <b>Net losses</b>                              |             | <b>\$ (15,304)</b> |             | <b>\$ (80,293)</b> |             | <b>\$ (498,226)</b> |
| <b>Statement of income information:</b>        |             |                    |             |                    |             |                     |
| Net impairment losses on investment securities |             | \$ (33,683)        |             | \$ (85,355)        |             | (280,463)           |
| Valuation losses on securities purchased       |             |                    |             |                    |             | (212,092)           |
|  |             | (33,683)           |             | (85,355)           |             | (492,555)           |
| Equity securities gains (losses), net          |             | 6,511              |             | (5,993)            |             | (1,825)             |
| Fixed income securities gains (losses), net    |             | 11,868             |             | 11,055             |             | (3,846)             |
| <b>Net losses</b>                              |             | <b>\$ (15,304)</b> |             | <b>\$ (80,293)</b> |             | <b>\$ (498,226)</b> |

Valuation losses on securities purchased of \$212.1 million in 2009 include \$187.9 million that relate to purchases by Zions Bank from Lockhart, which are discussed further in Note 7, and \$24.2 million when we voluntarily purchased all of the \$255.3 million of auction rate securities previously sold to customers by certain Company subsidiaries.

Securities with a carrying value of \$1.5 billion and \$1.6 billion at December 31, 2011 and 2010, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

**6. LOANS AND ALLOWANCE FOR CREDIT LOSSES**

ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, requires certain additional disclosures under ASC 310, *Receivables*, which became effective at December 31, 2010. Certain other disclosures were required beginning March 31, 2011 and relate to additional detail for the rollforward of the allowance for credit losses and for impaired loans. The new guidance is incorporated in the following discussion. It relates only to financial statement disclosures and does not affect the Company's financial condition or results of operations.

Additional accounting guidance and disclosures for troubled debt restructurings (TDRs) were required for the Company beginning September 30, 2011 in accordance with ASU 2011-02, *A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. ASU 2011-02 provides criteria to evaluate if a TDR exists based on whether (1) the restructuring constitutes a concession by the creditor and (2) the debtor is experiencing financial difficulty. The new guidance for TDRs is incorporated in the following discussion and did not affect the Company's financial condition or results of operations.

**Table of Contents****Loans and Loans Held for Sale**

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

| <i>(In thousands)</i>                       | December 31,         |                      |
|---|----------------------|----------------------|
|   | 2011                 | 2010                 |
| Loans held for sale                         | \$ 201,590           | \$ 206,286           |
| Commercial:                                 |                      |                      |
| Commercial and industrial                   | \$ 10,393,496        | \$ 9,167,001         |
| Leasing                                     | 422,431              | 410,174              |
| Owner occupied                              | 8,165,993            | 8,217,363            |
| Municipal                                   | 442,060              | 438,985              |
| <b>Total commercial</b>                     | <b>19,423,980</b>    | <b>18,233,523</b>    |
| Commercial real estate:                     |                      |                      |
| Construction and land development           | 2,276,114            | 3,499,103            |
| Term  | 7,906,179            | 7,649,494            |
| <b>Total commercial real estate</b>         | <b>10,182,293</b>    | <b>11,148,597</b>    |
| Consumer:                                   |                      |                      |
| Home equity credit line                     | 2,184,515            | 2,141,740            |
| 1-4 family residential                      | 3,915,008            | 3,499,149            |
| Construction and other consumer real estate | 306,764              | 343,257              |
| Bankcard and other revolving plans          | 290,920              | 296,936              |
| Other                                       | 223,181              | 233,193              |
| <b>Total consumer</b>                       | <b>6,920,388</b>     | <b>6,514,275</b>     |
| <b>FDIC-supported loans</b>                 | <b>751,091</b>       | <b>971,377</b>       |
| <b>Total loans</b>                          | <b>\$ 37,277,752</b> | <b>\$ 36,867,772</b> |

FDIC-supported loans were acquired during 2009 and are indemnified by the FDIC under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased loans accounted for under ASC 310-30 at their carrying values rather than their outstanding balances. See subsequent discussion under purchased loans.

Owner occupied and commercial real estate loans include unamortized premiums of approximately \$73.4 million and \$88.4 million at December 31, 2011 and 2010, respectively.

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

As of December 31, 2011 and 2010, loans with a carrying value of approximately \$21.1 billion and \$20.4 billion, respectively, were pledged at the Federal Reserve and various Federal Home Loan Banks as collateral for current and potential borrowings.

We sold loans totaling \$1.6 billion in 2011, \$1.7 billion in 2010, and \$1.9 billion in 2009, that were previously classified as loans held for sale. Amounts added to loans held for sale during these same periods were \$1.6 billion, \$1.8 billion, and \$2.0 billion, respectively. Income from loans sold, excluding servicing, was \$17.5 million in 2011, \$17.8 million in 2010, and \$11.2 million in 2009.

**Allowance for Credit Losses**

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

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

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for impaired loans is discussed subsequently. For the commercial and commercial real estate segments, we use a comprehensive loan grading system to assign probability of default and loss given default grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. Probability of default and loss given default grades are based on both financial and statistical models and loan officers' judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to historic loan grades over the most recent 60 months.

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

For FDIC-supported loans purchased with evidence of credit deterioration, we determine the ALLL according to ASC 310-30. The accounting for these loans, including the allowance calculation, is described in the purchased loans section following.

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

Asset quality trends

Risk management and loan administration practices

Risk identification practices

Effect of changes in the nature and volume of the portfolio

Existence and effect of any portfolio concentrations

National economic and business conditions

Regional and local economic and business conditions

Data availability and applicability

We review changes in these factors to ensure that changes in the level of the ALLL are directionally consistent with changes in these factors. The magnitude of the impact of these factors on our qualitative assessment of the ALLL changes from quarter to quarter according to the extent

these factors are already reflected in historic loss rates and according to the extent these factors diverge from one another. We also consider the uncertainty inherent in the estimation process when evaluating the ALLL.

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

Changes in ACL Assumptions: We regularly evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. During the fourth quarter of 2011, we changed certain assumptions in our ACL estimation procedures including our loss migration model that we use to quantitatively estimate the ALLL and RULC for the commercial and commercial real estate segments and the procedures that we use to adjust qualitatively the outputs from our quantitative models.

Prior to the fourth quarter of 2011, we used loss migration models based on loss experience over several look-back periods to estimate probable losses for the portions of the segments that were collectively evaluated for impairment. During the fourth quarter of 2011, the loss migration models were based on loss experience over the most recent 60 months. The loss emergence period was also extended from a static 18 months to a loss emergence period that varies by subsidiary bank based on charge-off experience. On average, the loss emergence period for the Company for the commercial lending and commercial real estate segments is estimated to be approximately 25 months. These changes increased the quantitative portion of the ACL by approximately \$45 million over what it would have been had the September 30, 2011 assumptions been used. We considered these assumption changes in assessing our qualitative adjustments to determine the appropriate level of ACL. We made the change in order to minimize the need for future assumption changes when credit quality improves to more normal levels and in order to increase the transparency of our ACL methodology. The above refinements in the quantitative portion of the ACL estimate did not have a material effect on the overall level of the ACL or the provision for loan losses.

Prior to the fourth quarter of 2011, we determined our adjustments for qualitative and environmental factors by estimating a single value for these adjustments. During the fourth quarter of 2011, we determined our adjustments for qualitative and environmental factors by estimating a point within a range of estimated ACL levels. We made the change to explicitly recognize that the ACL estimate is imprecise and could have a range of acceptable values and to increase the transparency of our ACL methodology. The above refinement in the qualitative portion of the ACL estimate did not have a material effect on the overall level of the ACL or the provision for loan losses.

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

| <i>(In thousands)</i>                            | December 31, 2011 |                        |            |                             | Total        | December 31, |              |
|--|-------------------|------------------------|------------|-----------------------------|--------------|--------------|--------------|
|  | Commercial        | Commercial real estate | Consumer   | FDIC-supported <sup>1</sup> |              | 2010         | 2009         |
| <b>Allowance for loan losses:</b>                |                   |                        |            |                             |              |              |              |
| Balance at beginning of year                     | \$ 761,107        | \$ 487,235             | \$ 154,326 | \$ 37,673                   | \$ 1,440,341 | \$ 1,531,332 | \$ 686,999   |
| Additions:                                       |                   |                        |            |                             |              |              |              |
| Provision for loan losses                        | 46,432            | (21,940)               | 42,720     | 7,195                       | 74,407       | 852,138      | 2,016,927    |
| Adjustment for FDIC-supported loans              |                   |                        |            | (8,851)                     | (8,851)      | 39,824       | 2,303        |
| Deductions:                                      |                   |                        |            |                             |              |              |              |
| Gross loan and lease charge-offs                 | (228,026)         | (223,974)              | (88,660)   | (19,497)                    | (560,157)    | (1,073,813)  | (1,255,652)  |
| Recoveries                                       | 48,312            | 34,225                 | 14,729     | 6,952                       | 104,218      | 90,860       | 80,755       |
| Net loan and lease charge-offs                   | (179,714)         | (189,749)              | (73,931)   | (12,545)                    | (455,939)    | (982,953)    | (1,174,897)  |
| Balance at end of year                           | \$ 627,825        | \$ 275,546             | \$ 123,115 | \$ 23,472                   | \$ 1,049,958 | \$ 1,440,341 | \$ 1,531,332 |
| <b>Reserve for unfunded lending commitments:</b> |                   |                        |            |                             |              |              |              |
| Balance at beginning of year                     | \$ 83,352         | \$ 26,373              | \$ 1,983   | \$                          | \$ 111,708   | \$ 116,445   | \$ 50,934    |
| Provision charged (credited) to earnings         | (6,120)           | (2,801)                | (365)      |                             | (9,286)      | (4,737)      | 65,511       |
| Balance at end of year                           | \$ 77,232         | \$ 23,572              | \$ 1,618   | \$                          | \$ 102,422   | \$ 111,708   | \$ 116,445   |
| <b>Total allowance for credit losses:</b>        |                   |                        |            |                             |              |              |              |
| Allowance for loan losses                        | \$ 627,825        | \$ 275,546             | \$ 123,115 | \$ 23,472                   | \$ 1,049,958 | \$ 1,440,341 | \$ 1,531,332 |
| Reserve for unfunded lending commitments         | 77,232            | 23,572                 | 1,618      |                             | 102,422      | 111,708      | 116,445      |
| Total allowance for credit losses                | \$ 705,057        | \$ 299,118             | \$ 124,733 | \$ 23,472                   | \$ 1,152,380 | \$ 1,552,049 | \$ 1,647,777 |

<sup>1</sup> The purchased loans section following contains further discussion related to FDIC-supported loans.

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

| <i>(In thousands)</i>                                 | December 31, 2011    |                        |                     |                   |                      |
|---|----------------------|------------------------|---------------------|-------------------|----------------------|
|   | Commercial           | Commercial real estate | Consumer            | FDIC-supported    | Total                |
| <b>Allowance for loan losses:</b>                     |                      |                        |                     |                   |                      |
| Individually evaluated for impairment                 | \$ 11,456            | \$ 20,971              | \$ 8,995            | \$ 623            | \$ 42,045            |
| Collectively evaluated for impairment                 | 616,369              | 254,575                | 114,120             | 16,830            | 1,001,894            |
| Purchased loans with evidence of credit deterioration |                      |                        |                     | 6,019             | 6,019                |
| <b>Total</b>  | <b>\$ 627,825</b>    | <b>\$ 275,546</b>      | <b>\$ 123,115</b>   | <b>\$ 23,472</b>  | <b>\$ 1,049,958</b>  |
| <b>Outstanding loan balances:</b>                     |                      |                        |                     |                   |                      |
| Individually evaluated for impairment                 | \$ 349,662           | \$ 668,022             | \$ 113,798          | \$ 2,714          | \$ 1,134,196         |
| Collectively evaluated for impairment                 | 19,074,318           | 9,514,271              | 6,806,590           | 638,167           | 36,033,346           |
| Purchased loans with evidence of credit deterioration |                      |                        |                     | 110,210           | 110,210              |
| <b>Total</b>  | <b>\$ 19,423,980</b> | <b>\$ 10,182,293</b>   | <b>\$ 6,920,388</b> | <b>\$ 751,091</b> | <b>\$ 37,277,752</b> |

| <i>(In thousands)</i>                                 | December 31, 2010    |                        |                     |                   |                      |
|---|----------------------|------------------------|---------------------|-------------------|----------------------|
|   | Commercial           | Commercial real estate | Consumer            | FDIC-supported    | Total                |
| <b>Allowance for loan losses:</b>                     |                      |                        |                     |                   |                      |
| Individually evaluated for impairment                 | \$ 53,237            | \$ 37,545              | \$ 6,335            | \$                | \$ 97,117            |
| Collectively evaluated for impairment                 | 707,870              | 449,690                | 147,991             | 30,684            | 1,336,235            |
| Purchased loans with evidence of credit deterioration |                      |                        |                     | 6,989             | 6,989                |
| <b>Total</b>  | <b>\$ 761,107</b>    | <b>\$ 487,235</b>      | <b>\$ 154,326</b>   | <b>\$ 37,673</b>  | <b>\$ 1,440,341</b>  |
| <b>Outstanding loan balances:</b>                     |                      |                        |                     |                   |                      |
| Individually evaluated for impairment                 | \$ 544,243           | \$ 1,003,402           | \$ 137,928          | \$                | \$ 1,685,573         |
| Collectively evaluated for impairment                 | 17,689,280           | 10,145,195             | 6,376,347           | 791,587           | 35,002,409           |
| Purchased loans with evidence of credit deterioration |                      |                        |                     | 179,790           | 179,790              |
| <b>Total</b>  | <b>\$ 18,233,523</b> | <b>\$ 11,148,597</b>   | <b>\$ 6,514,275</b> | <b>\$ 971,377</b> | <b>\$ 36,867,772</b> |

**Nonaccrual and Past Due Loans**

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



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A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

| <i>(In thousands)</i>                       | <b>December 31,</b> |                     |
|---|---------------------|---------------------|
|   | <b>2011</b>         | <b>2010</b>         |
| Loans held for sale                         | \$ 18,216           | \$                  |
| Commercial:                                 |                     |                     |
| Commercial and industrial                   | \$ 126,468          | \$ 224,499          |
| Leasing                                     | 1,546               | 801                 |
| Owner occupied                              | 239,203             | 342,467             |
| Municipal                                   |                     | 2,002               |
| <b>Total commercial</b>                     | <b>367,217</b>      | <b>569,769</b>      |
| Commercial real estate:                     |                     |                     |
| Construction and land development           | 219,837             | 493,445             |
| Term  | 156,165             | 264,305             |
| <b>Total commercial real estate</b>         | <b>376,002</b>      | <b>757,750</b>      |
| Consumer:                                   |                     |                     |
| Home equity credit line                     | 18,376              | 14,047              |
| 1-4 family residential                      | 90,857              | 124,470             |
| Construction and other consumer real estate | 12,096              | 23,719              |
| Bankcard and other revolving plans          | 346                 | 958                 |
| Other                                       | 2,498               | 2,156               |
| <b>Total consumer loans</b>                 | <b>124,173</b>      | <b>165,350</b>      |
| <b>FDIC-supported loans</b>                 | <b>24,267</b>       | <b>35,837</b>       |
| <b>Total</b>                                | <b>\$ 891,659</b>   | <b>\$ 1,528,706</b> |

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

| <i>(In thousands)</i>                       | December 31, 2011    |                           |                         |                   |                      |                      | Accruing                                  | Nonaccrual |
|---|----------------------|---------------------------|-------------------------|-------------------|----------------------|----------------------|---|------------|
|   | Current              | 30-89<br>days<br>past due | 90+<br>days<br>past due | Total<br>past due | Total<br>loans       | 90+ days<br>past due | loans<br>that are<br>current <sup>1</sup> |            |
| Loans held for sale                         | \$ 183,344           | \$                        | \$ 18,246               | \$ 18,246         | \$ 201,590           | \$ 30                | \$  |            |
| Commercial:                                 |                      |                           |                         |                   |                      |                      |   |            |
| Commercial and industrial                   | \$ 10,257,072        | \$ 62,153                 | \$ 74,271               | \$ 136,424        | \$ 10,393,496        | \$ 4,966             | \$ 47,939                                 |            |
| Leasing                                     | 420,636              | 1,634                     | 161                     | 1,795             | 422,431              |                      | 1,319                                     |            |
| Owner occupied                              | 7,960,717            | 93,763                    | 111,513                 | 205,276           | 8,165,993            | 3,230                | 85,495                                    |            |
| Municipal                                   | 442,060              |                           |                         |                   | 442,060              |                      |   |            |
| <b>Total commercial</b>                     | <b>19,080,485</b>    | <b>157,550</b>            | <b>185,945</b>          | <b>343,495</b>    | <b>19,423,980</b>    | <b>8,196</b>         | <b>134,753</b>                            |            |
| Commercial real estate:                     |                      |                           |                         |                   |                      |                      |   |            |
| Construction and land development           | 2,148,749            | 21,562                    | 105,803                 | 127,365           | 2,276,114            | 2,471                | 107,991                                   |            |
| Term  | 7,793,013            | 51,592                    | 61,574                  | 113,166           | 7,906,179            | 4,170                | 88,451                                    |            |
| <b>Total commercial real estate</b>         | <b>9,941,762</b>     | <b>73,154</b>             | <b>167,377</b>          | <b>240,531</b>    | <b>10,182,293</b>    | <b>6,641</b>         | <b>196,442</b>                            |            |
| Consumer:                                   |                      |                           |                         |                   |                      |                      |   |            |
| Home equity credit line                     | 2,166,277            | 8,669                     | 9,569                   | 18,238            | 2,184,515            |                      | 5,542                                     |            |
| 1-4 family residential                      | 3,839,804            | 18,985                    | 56,219                  | 75,204            | 3,915,008            | 2,833                | 32,067                                    |            |
| Construction and other consumer real estate | 295,262              | 5,008                     | 6,494                   | 11,502            | 306,764              | 136                  | 4,773                                     |            |
| Bankcard and other revolving plans          | 287,443              | 1,984                     | 1,493                   | 3,477             | 290,920              | 1,309                | 122                                       |            |
| Other                                       | 219,216              | 1,995                     | 1,970                   | 3,965             | 223,181              |                      | 372                                       |            |
| <b>Total consumer loans</b>                 | <b>6,808,002</b>     | <b>36,641</b>             | <b>75,745</b>           | <b>112,386</b>    | <b>6,920,388</b>     | <b>4,278</b>         | <b>42,876</b>                             |            |
| <b>FDIC-supported loans</b>                 | <b>634,334</b>       | <b>27,791</b>             | <b>88,966</b>           | <b>116,757</b>    | <b>751,091</b>       | <b>74,611</b>        | <b>6,812</b>                              |            |
| <b>Total</b>                                | <b>\$ 36,464,583</b> | <b>\$ 295,136</b>         | <b>\$ 518,033</b>       | <b>\$ 813,169</b> | <b>\$ 37,277,752</b> | <b>\$ 93,726</b>     | <b>\$ 380,883</b>                         |            |

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| (In thousands)                              | December 31, 2010    |                     |                     |                     |                      |                         | Accruing                            | Nonaccrual |
|---|----------------------|---------------------|---------------------|---------------------|----------------------|-------------------------|-------------------------------------|------------|
|   | Current              | 30-89 days past due | 90+ days past due   | Total past due      | Total loans          | loans 90+ days past due | loans that are current <sup>1</sup> |            |
| Loans held for sale                         | \$ 206,286           | \$                  | \$                  | \$                  | \$ 206,286           | \$                      | \$                                  |            |
| Commercial:                                 |                      |                     |                     |                     |                      |                         |                                     |            |
| Commercial and industrial                   | \$ 8,938,120         | \$ 100,119          | \$ 128,762          | \$ 228,881          | \$ 9,167,001         | \$ 7,533                | \$ 77,406                           |            |
| Leasing                                     | 408,015              | 1,352               | 807                 | 2,159               | 410,174              | 66                      | 23                                  |            |
| Owner occupied                              | 7,905,193            | 83,658              | 228,512             | 312,170             | 8,217,363            | 3,876                   | 91,527                              |            |
| Municipal                                   | 438,985              |                     |                     |                     | 438,985              |                         | 2,002                               |            |
| <b>Total commercial</b>                     | <b>17,690,313</b>    | <b>185,129</b>      | <b>358,081</b>      | <b>543,210</b>      | <b>18,233,523</b>    | <b>11,475</b>           | <b>170,958</b>                      |            |
| Commercial real estate:                     |                      |                     |                     |                     |                      |                         |                                     |            |
| Construction and land development           | 3,172,537            | 57,891              | 268,675             | 326,566             | 3,499,103            | 1,916                   | 200,864                             |            |
| Term  | 7,436,222            | 85,595              | 127,677             | 213,272             | 7,649,494            | 4,757                   | 112,447                             |            |
| <b>Total commercial real estate</b>         | <b>10,608,759</b>    | <b>143,486</b>      | <b>396,352</b>      | <b>539,838</b>      | <b>11,148,597</b>    | <b>6,673</b>            | <b>313,311</b>                      |            |
| Consumer:                                   |                      |                     |                     |                     |                      |                         |                                     |            |
| Home equity credit line                     | 2,126,505            | 7,494               | 7,741               | 15,235              | 2,141,740            |                         | 2,224                               |            |
| 1-4 family residential                      | 3,383,420            | 26,345              | 89,384              | 115,729             | 3,499,149            | 2,966                   | 34,425                              |            |
| Construction and other consumer real estate | 322,341              | 8,261               | 12,655              | 20,916              | 343,257              | 532                     | 10,089                              |            |
| Bankcard and other revolving plans          | 290,879              | 3,912               | 2,145               | 6,057               | 296,936              | 1,572                   | 311                                 |            |
| Other                                       | 227,654              | 4,586               | 953                 | 5,539               | 233,193              |                         | 959                                 |            |
| <b>Total consumer loans</b>                 | <b>6,350,799</b>     | <b>50,598</b>       | <b>112,878</b>      | <b>163,476</b>      | <b>6,514,275</b>     | <b>5,070</b>            | <b>48,008</b>                       |            |
| FDIC-supported loans                        | 804,760              | 27,256              | 139,361             | 166,617             | 971,377              | 118,760                 | 15,136                              |            |
| <b>Total</b>                                | <b>\$ 35,454,631</b> | <b>\$ 406,469</b>   | <b>\$ 1,006,672</b> | <b>\$ 1,413,141</b> | <b>\$ 36,867,772</b> | <b>\$ 141,978</b>       | <b>\$ 547,413</b>                   |            |

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

**Credit Quality Indicators**

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

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

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

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

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

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

We generally assign internal grades to commercial and commercial real estate loans with commitments equal to or greater than \$500,000 based on financial/statistical models and loan officer judgment. For these larger

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loans, we assign one of fourteen probability of default grades (in order of declining credit quality) and one of twelve loss-given-default grades. The first ten of the fourteen probability of default grades indicate a Pass grade. The remaining four grades are: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged-off. We evaluate our credit quality information such as risk grades at least quarterly, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.

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

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

| <i>(In thousands)</i>                       | December 31, 2011    |                   |                     |                  |                      | Total allowance     |
|---|----------------------|-------------------|---------------------|------------------|----------------------|---------------------|
|   | Pass                 | Special Mention   | Substandard         | Doubtful         | Total loans          |                     |
| Loans held for sale                         | \$ 182,626           | \$                | \$ 18,964           | \$               | \$ 201,590           | \$                  |
| Commercial:                                 |                      |                   |                     |                  |                      |                     |
| Commercial and industrial                   | \$ 9,670,781         | \$ 271,845        | \$ 442,139          | \$ 8,731         | \$ 10,393,496        |                     |
| Leasing                                     | 405,433              | 5,878             | 11,120              |                  | 422,431              |                     |
| Owner occupied                              | 7,488,644            | 184,821           | 486,584             | 5,944            | 8,165,993            |                     |
| Municipal                                   | 426,626              | 15,434            |                     |                  | 442,060              |                     |
| <b>Total commercial</b>                     | <b>17,991,484</b>    | <b>477,978</b>    | <b>939,843</b>      | <b>14,675</b>    | <b>19,423,980</b>    | <b>\$ 627,825</b>   |
| Commercial real estate:                     |                      |                   |                     |                  |                      |                     |
| Construction and land development           | 1,658,946            | 187,323           | 426,152             | 3,693            | 2,276,114            |                     |
| Term  | 7,266,423            | 196,377           | 437,390             | 5,989            | 7,906,179            |                     |
| <b>Total commercial real estate</b>         | <b>8,925,369</b>     | <b>383,700</b>    | <b>863,542</b>      | <b>9,682</b>     | <b>10,182,293</b>    | <b>275,546</b>      |
| Consumer:                                   |                      |                   |                     |                  |                      |                     |
| Home equity credit line                     | 2,133,277            | 106               | 51,089              | 43               | 2,184,515            |                     |
| 1-4 family residential                      | 3,782,750            | 5,736             | 126,277             | 245              | 3,915,008            |                     |
| Construction and other consumer real estate | 275,603              | 12,206            | 16,967              | 1,988            | 306,764              |                     |
| Bankcard and other revolving plans          | 278,669              | 3,832             | 8,419               |                  | 290,920              |                     |
| Other                                       | 218,755              | 163               | 4,256               | 7                | 223,181              |                     |
| <b>Total consumer loans</b>                 | <b>6,689,054</b>     | <b>22,043</b>     | <b>207,008</b>      | <b>2,283</b>     | <b>6,920,388</b>     | <b>123,115</b>      |
| <b>FDIC-supported loans</b>                 | <b>500,177</b>       | <b>35,877</b>     | <b>215,031</b>      | <b>6</b>         | <b>751,091</b>       | <b>23,472</b>       |
| <b>Total</b>                                | <b>\$ 34,106,084</b> | <b>\$ 919,598</b> | <b>\$ 2,225,424</b> | <b>\$ 26,646</b> | <b>\$ 37,277,752</b> | <b>\$ 1,049,958</b> |

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| <i>(In thousands)</i>                       | December 31, 2010    |                     |                     |                  |                      | Total allowance     |
|---|----------------------|---------------------|---------------------|------------------|----------------------|---------------------|
|   | Pass                 | Special Mention     | Substandard         | Doubtful         | Total loans          |                     |
| Loans held for sale                         | \$ 206,286           | \$                  | \$                  | \$               | \$ 206,286           | \$                  |
| Commercial:                                 |                      |                     |                     |                  |                      |                     |
| Commercial and industrial                   | \$ 8,234,515         | \$ 254,369          | \$ 658,400          | \$ 19,717        | \$ 9,167,001         |                     |
| Leasing                                     | 395,081              | 1,170               | 13,923              |                  | 410,174              |                     |
| Owner occupied                              | 7,358,189            | 147,562             | 705,128             | 6,484            | 8,217,363            |                     |
| Municipal                                   | 436,983              |                     | 2,002               |                  | 438,985              |                     |
| <b>Total commercial</b>                     | <b>16,424,768</b>    | <b>403,101</b>      | <b>1,379,453</b>    | <b>26,201</b>    | <b>18,233,523</b>    | <b>\$ 761,107</b>   |
| Commercial real estate:                     |                      |                     |                     |                  |                      |                     |
| Construction and land development           | 1,921,110            | 470,431             | 1,093,772           | 13,790           | 3,499,103            |                     |
| Term  | 6,768,022            | 252,814             | 624,196             | 4,462            | 7,649,494            |                     |
| <b>Total commercial real estate</b>         | <b>8,689,132</b>     | <b>723,245</b>      | <b>1,717,968</b>    | <b>18,252</b>    | <b>11,148,597</b>    | <b>487,235</b>      |
| Consumer:                                   |                      |                     |                     |                  |                      |                     |
| Home equity credit line                     | 2,098,365            | 855                 | 42,349              | 171              | 2,141,740            |                     |
| 1-4 family residential                      | 3,313,875            | 7,274               | 177,963             | 37               | 3,499,149            |                     |
| Construction and other consumer real estate | 310,209              | 3,424               | 29,176              | 448              | 343,257              |                     |
| Bankcard and other revolving plans          | 282,353              | 4,535               | 10,040              | 8                | 296,936              |                     |
| Other                                       | 226,832              | 111                 | 6,038               | 212              | 233,193              |                     |
| <b>Total consumer loans</b>                 | <b>6,231,634</b>     | <b>16,199</b>       | <b>265,566</b>      | <b>876</b>       | <b>6,514,275</b>     | <b>154,326</b>      |
| FDIC-supported loans                        | 646,476              | 45,431              | 278,044             | 1,426            | 971,377              | 37,673              |
| <b>Total</b>                                | <b>\$ 31,992,010</b> | <b>\$ 1,187,976</b> | <b>\$ 3,641,031</b> | <b>\$ 46,755</b> | <b>\$ 36,867,772</b> | <b>\$ 1,440,341</b> |

**Impaired Loans**

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. If a nonaccrual loan has a balance greater than \$1 million or if a loan is a TDR (including TDRs that subsequently default), we evaluate the loan for impairment and estimate a specific reserve for the loan according to ASC 310 for all portfolio segments. Smaller nonaccrual loans are pooled for ALLL estimation purposes.

The threshold of \$1 million was increased from \$500,000 beginning in the third quarter of 2011 primarily to achieve operational efficiency through collective evaluation of loans for impairment. Recent improvements in credit quality were also considered in making this change. Loans that met the prior threshold will continue to be individually evaluated for impairment. No changes were made to our loan loss model for those loans that are now collectively evaluated for impairment. The impact of increasing the threshold increased the ALLL by an immaterial amount at December 31, 2011, because the collective evaluation resulted in a higher ALLL than the individual evaluation.

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

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Information on impaired loans is summarized as follows, including the average recorded investment and interest income recognized for the year ended December 31, 2011.

| <i>(In thousands)</i>                       | December 31, 2011        |                     |                   |                           |                   |                             |                            |
|---|--------------------------|---------------------|-------------------|---------------------------|-------------------|-----------------------------|----------------------------|
|   | Unpaid principal balance | Recorded investment |                   | Total recorded investment | Related allowance | Average recorded investment | Interest income recognized |
|   |                          | with no allowance   | with allowance    |                           |                   |                             |                            |
| <b>Commercial:</b>                          |                          |                     |                   |                           |                   |                             |                            |
| Commercial and industrial                   | \$ 212,263               | \$ 69,492           | \$ 66,438         | \$ 135,930                | \$ 6,373          | \$ 184,280                  | \$ 1,967                   |
| Owner occupied                              | 258,173                  | 135,555             | 78,177            | 213,732                   | 5,083             | 280,121                     | 2,829                      |
| Municipal                                   |                          |                     |                   |                           |                   | 2,937                       |                            |
| <b>Total commercial</b>                     | <b>470,436</b>           | <b>205,047</b>      | <b>144,615</b>    | <b>349,662</b>            | <b>11,456</b>     | <b>467,338</b>              | <b>4,796</b>               |
| <b>Commercial real estate:</b>              |                          |                     |                   |                           |                   |                             |                            |
| Construction and land development           | 405,499                  | 178,113             | 136,634           | 314,747                   | 8,925             | 439,803                     | 5,026                      |
| Term  | 414,998                  | 187,345             | 165,930           | 353,275                   | 12,046            | 398,841                     | 9,113                      |
| <b>Total commercial real estate</b>         | <b>820,497</b>           | <b>365,458</b>      | <b>302,564</b>    | <b>668,022</b>            | <b>20,971</b>     | <b>838,644</b>              | <b>14,139</b>              |
| <b>Consumer:</b>                            |                          |                     |                   |                           |                   |                             |                            |
| Home equity credit line                     | 1,955                    | 384                 | 1,469             | 1,853                     | 411               | 1,381                       | 1                          |
| 1-4 family residential                      | 116,498                  | 58,392              | 39,960            | 98,352                    | 7,555             | 105,794                     | 1,408                      |
| Construction and other consumer real estate | 13,340                   | 4,537               | 6,188             | 10,725                    | 1,026             | 12,327                      | 84                         |
| Bankcard and other revolving plans          |                          |                     |                   |                           |                   | 32                          |                            |
| Other                                       | 2,889                    | 2,840               | 28                | 2,868                     | 3                 | 3,626                       | 1                          |
| <b>Total consumer loans</b>                 | <b>134,682</b>           | <b>66,153</b>       | <b>47,645</b>     | <b>113,798</b>            | <b>8,995</b>      | <b>123,160</b>              | <b>1,494</b>               |
| <b>FDIC-supported loans</b>                 | <b>353,195</b>           | <b>47,736</b>       | <b>65,188</b>     | <b>112,924</b>            | <b>6,642</b>      | <b>144,575</b>              | <b>53,954<sup>1</sup></b>  |
| <b>Total</b>                                | <b>\$ 1,778,810</b>      | <b>\$ 684,394</b>   | <b>\$ 560,012</b> | <b>\$ 1,244,406</b>       | <b>\$ 48,064</b>  | <b>\$ 1,573,717</b>         | <b>\$ 74,383</b>           |

<sup>1</sup> Interest income recognized results primarily from discount accretion on impaired FDIC-supported loans.

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| <i>(In thousands)</i>                       | December 31, 2010        |                     |                   |                           |                   |
|---|--------------------------|---------------------|-------------------|---------------------------|-------------------|
|   | Unpaid principal balance | Recorded investment |                   | Total recorded investment | Related allowance |
|   |                          | with no allowance   | with allowance    |                           |                   |
| <b>Commercial:</b>                          |                          |                     |                   |                           |                   |
| Commercial and industrial                   | \$ 322,674               | \$ 95,316           | \$ 114,959        | \$ 210,275                | \$ 38,021         |
| Owner occupied                              | 430,997                  | 233,418             | 98,548            | 331,966                   | 14,743            |
| Municipal                                   | 2,002                    |                     | 2,002             | 2,002                     | 473               |
| <b>Total commercial</b>                     | <b>755,673</b>           | <b>328,734</b>      | <b>215,509</b>    | <b>544,243</b>            | <b>53,237</b>     |
| <b>Commercial real estate:</b>              |                          |                     |                   |                           |                   |
| Construction and land development           | 862,433                  | 478,181             | 118,663           | 596,844                   | 16,964            |
| Term  | 500,956                  | 251,745             | 154,813           | 406,558                   | 20,581            |
| <b>Total commercial real estate</b>         | <b>1,363,389</b>         | <b>729,926</b>      | <b>273,476</b>    | <b>1,003,402</b>          | <b>37,545</b>     |
| <b>Consumer:</b>                            |                          |                     |                   |                           |                   |
| Home equity credit line                     | 5,160                    | 3,152               | 630               | 3,782                     | 180               |
| 1-4 family residential                      | 138,965                  | 91,721              | 23,811            | 115,532                   | 5,456             |
| Construction and other consumer real estate | 27,308                   | 16,682              | 1,369             | 18,051                    | 465               |
| Bankcard and other revolving plans          | 60                       |                     | 30                | 30                        | 30                |
| Other                                       | 629                      |                     | 533               | 533                       | 204               |
| <b>Total consumer loans</b>                 | <b>172,122</b>           | <b>111,555</b>      | <b>26,373</b>     | <b>137,928</b>            | <b>6,335</b>      |
| <b>FDIC-supported loans</b>                 | <b>547,566</b>           | <b>131,680</b>      | <b>48,110</b>     | <b>179,790</b>            | <b>6,989</b>      |
| <b>Total</b>                                | <b>\$ 2,838,750</b>      | <b>\$ 1,301,895</b> | <b>\$ 563,468</b> | <b>\$ 1,865,363</b>       | <b>\$ 104,106</b> |

Amounts at December 31, 2010 in the preceding schedule presenting the unpaid principal balance have been adjusted from balances previously reported as of this same date, for which the total was \$2.7 billion. This change to our previous reporting was made to correct a reporting error in the accumulation of our impaired loan charge-offs to arrive at the unpaid principal balances. The change did not have an impact on the Company's balance sheet or results of operations.

**Modified and Restructured Loans**

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

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

TDRs are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure.





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

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

| <i>(In thousands)</i>                       | December 31, 2011  |                            |                       |                  |                    |  | Total     |
|---|--|----------------------------|-----------------------|------------------|--------------------|--|-----------|
|   | Recorded investment resulting from the following modification types: |                            |                       |                  |                    |  |           |
|   | Interest rate below market   | Maturity or term extension | Principal forgiveness | Payment deferral | Other <sup>1</sup> | Multiple modification types <sup>2</sup> |           |
| <b>Accruing</b>                             |  |                            |                       |                  |                    |  |           |
| Commercial:                                 |  |                            |                       |                  |                    |  |           |
| Commercial and industrial                   | \$ 302   | \$ 7,727                   | \$                    | \$ 1,955         | \$ 27,370          | \$ 4,517                                 | \$ 41,871 |
| Owner occupied                              | 1,875  | 15,224                     | 37                    | 1,008            | 5,504              | 20,449                                   | 44,097    |
| Total commercial                            | 2,177  | 22,951                     | 37                    | 2,963            | 32,874             | 24,966                                   | 85,968    |
| Commercial real estate:                     |  |                            |                       |                  |                    |  |           |
| Construction and land development           | 644  | 33,284                     | 565                   |                  | 28,911             | 34,862                                   | 98,266    |
| Term  | 2,738  | 33,885                     | 3,027                 | 23,640           | 54,031             | 95,868                                   | 213,189   |
| Total commercial real estate                | 3,382  | 67,169                     | 3,592                 | 23,640           | 82,942             | 130,730                                  | 311,455   |
| Consumer:                                   |  |                            |                       |                  |                    |  |           |
| Home equity credit line                     |  |                            |                       |                  | 32                 |  | 32        |
| 1-4 family residential                      | 3,270  | 1,663                      | 525                   |                  | 6,103              | 34,839                                   | 46,400    |
| Construction and other consumer real estate | 166  | 1,444                      |                       |                  | 635                | 1,981                                    | 4,226     |
| Other                                       |  | 28                         |                       |                  |                    |  | 28        |
| Total consumer loans                        | 3,436  | 3,135                      | 525                   |                  | 6,770              | 36,820                                   | 50,686    |
| Total accruing                              | 8,995  | 93,255                     | 4,154                 | 26,603           | 122,586            | 192,516                                  | 448,109   |
| <b>Nonaccruing</b>                          |  |                            |                       |                  |                    |  |           |
| Commercial:                                 |  |                            |                       |                  |                    |  |           |
| Commercial and industrial                   | 3,526  | 6,094                      |                       | 1,429            | 8,384              | 10,202                                   | 29,635    |
| Owner occupied                              | 4,464  | 1,101                      | 715                   | 6,575            | 17,070             | 10,300                                   | 40,225    |
| Total commercial                            | 7,990  | 7,195                      | 715                   | 8,004            | 25,454             | 20,502                                   | 69,860    |
| Commercial real estate:                     |  |                            |                       |                  |                    |  |           |
| Construction and land development           | 15,088   | 3,348                      | 19                    | 2,060            | 7,441              | 94,502                                   | 122,458   |
| Term  | 3,445  | 50                         |                       | 4,250            | 4,724              | 65,316                                   | 77,785    |
| Total commercial real estate                | 18,533   | 3,398                      | 19                    | 6,310            | 12,165             | 159,818                                  | 200,243   |
| Consumer:                                   |  |                            |                       |                  |                    |  |           |
| Home equity credit line                     | 195  |                            |                       |                  | 253                | 69                                       | 517       |
| 1-4 family residential                      | 1,386  | 85                         | 939                   | 718              | 1,391              | 18,476                                   | 22,995    |
| Construction and other consumer real estate | 18   | 1,837                      |                       |                  |                    | 355                                      | 2,210     |
| Total consumer loans                        | 1,599  | 1,922                      | 939                   | 718              | 1,644              | 18,900                                   | 25,722    |

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|                   |           |            |          |           |            |            |            |
|-------------------|-----------|------------|----------|-----------|------------|------------|------------|
| Total nonaccruing | 28,122    | 12,515     | 1,673    | 15,032    | 39,263     | 199,220    | 295,825    |
| Total             | \$ 37,117 | \$ 105,770 | \$ 5,827 | \$ 41,635 | \$ 161,849 | \$ 391,736 | \$ 743,934 |

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

<sup>2</sup> Includes TDRs that resulted from a combination of any of the previous modification types.

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Unused commitments to extend credit on TDR loans amounted to approximately \$9 million at December 31, 2011.

At December 31, 2011, the total recorded investment of all TDR loans in which interest rates were modified below market was \$269.9 million. These loans are included in the previous table in the columns for interest rate below market and multiple modification types.

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

| <i>(In thousands)</i>                       | <b>December 31,<br/>2011</b> |
|---|------------------------------|
| <b>Commercial:</b>                          |                              |
| Commercial and industrial                   | \$ (46)                      |
| Owner occupied                              | (1,650)                      |
| <br>Total commercial                        | <br>(1,696)                  |
| <b>Commercial real estate:</b>              |                              |
| Construction and land development           | (244)                        |
| Term  | (7,096)                      |
| <br>Total commercial real estate            | <br>(7,340)                  |
| <b>Consumer:</b>                            |                              |
| 1-4 family residential                      | (10,188)                     |
| Construction and other consumer real estate | (406)                        |
| <br>Total consumer loans                    | <br>(10,594)                 |
| <br>Total decrease to interest income       | <br>\$ (19,630) <sup>1</sup> |

<sup>1</sup> Calculated based on the difference between the modified rate and the pre-modified rate applied to the recorded investment.

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

The recorded investment of accruing and nonaccruing TDR loans that had a payment default during the year (and are still in default at year-end) and are within 12 months or less of being modified as TDRs is as follows:

| <i>(In thousands)</i>             | <b>Accruing</b> | <b>December 31, 2011<br/>Nonaccruing</b> | <b>Total</b> |
|-----------------------------------|-----------------|--|--------------|
| <b>Commercial:</b>                |                 |  |              |
| Commercial and industrial         | \$ 35           | \$ 1,700                                 | \$ 1,735     |
| Owner occupied                    |                 | 441                                      | 441          |
| <br>Total commercial              | <br>35          | <br>2,141                                | <br>2,176    |
| <b>Commercial real estate:</b>    |                 |  |              |
| Construction and land development |                 | 11,667                                   | 11,667       |
| Term                              |                 | 5,971                                    | 5,971        |

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|                              |       |              |              |
|------------------------------|-------|--------------|--------------|
| Total commercial real estate |       | 17,638       | 17,638       |
| <b>Consumer:</b>             |       |              |              |
| 1-4 family residential       |       | 2,745        | 2,745        |
| <b>Total consumer loans</b>  |       | <b>2,745</b> | <b>2,745</b> |
| Total                        | \$ 35 | \$ 22,524    | \$ 22,559    |

*Note: Total loans modified as TDRs during 2011 with outstanding balances at year-end were \$327.3 million.*

**Table of Contents****Concentrations of Credit Risk**

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to an individual borrower or group(s) of borrowers as a result of any concentrations of credit risk. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. Our analysis as of December 31, 2011 has concluded that no significant exposure exists from such credit risks. See Note 8 for a discussion of counterparty risk associated with the Company's derivative transactions.

**Purchased Loans***Background and Accounting*

We purchase loans in the ordinary course of business and account for them and the related interest income in accordance with ASC 310-20, *Nonrefundable Fees and Other Costs*, or ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, as appropriate. Interest income is recognized based on contractual cash flows under ASC 310-20 and on expected cash flows under ASC 310-30.

During 2009, CB&T and NSB acquired failed banks from the FDIC as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. The FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above the threshold for a period of up to ten years. The loans acquired from the FDIC are presented separately in the Company's balance sheet as FDIC-supported loans.

During the first quarter of 2011, certain FDIC-supported loans charged off at the time of acquisition were determined by the FDIC to be covered under the loss sharing agreement. The FDIC remitted \$18.9 million to the Company, which was recognized in other noninterest income.

Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. The acquired foreclosed properties and subsequent real estate foreclosures were included with other real estate owned in the balance sheet and amounted to \$24.3 million and \$40.0 million at December 31, 2011 and 2010, respectively.

Acquired loans which have evidence of credit deterioration at the time of acquisition, and for which it is probable that not all contractual payments will be collected, are accounted for as loans under ASC 310-30. Certain acquired loans (including loans with revolving privileges) without evidence of credit deterioration are accounted for under ASC 310-20 and are excluded from the following tables for outstanding balances and accretable yield. Acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

*Outstanding Balances and Accretable Yield*

The outstanding balances of all contractually required payments and the related carrying amounts for loans under ASC 310-30 are as follows:

| <i>(In thousands)</i>  | <b>December 31,</b> |              |
|------------------------|---------------------|--------------|
|                        | <b>2011</b>         | <b>2010</b>  |
| Commercial             | \$ 321,515          | \$ 413,783   |
| Commercial real estate | 556,197             | 746,206      |
| Consumer               | 57,391              | 79,393       |
| Outstanding balance    | \$ 935,103          | \$ 1,239,382 |
| Carrying amount        | \$ 672,159          | \$ 877,857   |
| ALLL                   | 21,604              | 35,123       |
| Carrying amount, net   | \$ 650,555          | \$ 842,734   |



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

Certain acquired loans within the scope of ASC 310-30 are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. As allowed under ASC 310-30 in these circumstances, interest income is recognized on a cash basis similar to the cost recovery methodology used for nonaccrual loans. The net carrying amounts in the preceding schedule also include the amounts for these loans, which were approximately \$42.6 million and \$78.3 million at December 31, 2011 and 2010, respectively.

Changes in the accretable yield for ASC 310-30 loans are as follows:

| <i>(In thousands)</i>                          | 2011       | 2010       |
|--|------------|------------|
| Balance at beginning of year                   | \$ 277,005 | \$ 161,977 |
| Accretion                                      | (119,752)  | (99,225)   |
| Reclassification from nonaccretable difference | 28,511     | 183,912    |
| Disposals and other                            | (1,085)    | 30,341     |
| Balance at end of year                         | \$ 184,679 | \$ 277,005 |

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

The primary driver of reclassifications to accretable yield from nonaccretable difference resulted from increases in estimated cash flows for the acquired loans and loan pools. The increased cash flows were due to the enhanced economic status of borrowers whose financial stresses were diminishing or were not as severe as originally evaluated. When these loans were originally acquired, the expected cash flows estimated from the valuations were based on a lower economic outlook and a lower performance expectation.

The majority of acquired loans relate to the Southern California market. At the time of acquisition of these loans, market prices for commercial real estate in this market were falling, many local banks that provided commercial real estate lending were failing, and the economic outlook was uncertain. Although the current economy and commercial real estate prices in this market have not returned to pre-crisis levels, the improvements in the economy have begun to manifest themselves in the borrowers ability to repay their loans.

Additionally, our credit officers and loan workout professionals assigned to these loans have been effective in resolving problem loans so that the maximum amounts possible, up to the full contractual amounts, are repaid. The efforts of these professionals and the aforementioned economic improvements have resulted in higher than initially expected cash flows and fair values for the acquired loans. These improvements resulted in the balance reclassification from nonaccretable difference to accretable yield.

*ALLL Determination*

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



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other assets in the balance sheet and is discussed subsequently. The ALLL is included in the overall ALLL in the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

During 2011 and 2010, we adjusted the ALLL for acquired loans by recording a (decrease) increase on an adjusted gross basis to the provision for loan losses of \$(1.7) million in 2011 and \$55.8 million in 2010. These amounts are net of the ALLL reversals due to increases in estimated cash flows which are discussed subsequently. There was no provision for loan losses for acquired loans in 2009. As separately discussed and in accordance with the loss sharing agreements, portions of the increases to the provision are recoverable from the FDIC and comprise part of the FDIC IA. Charge-offs, net of recoveries and before FDIC indemnification, were \$7.1 million in 2011 and \$18.1 million in 2010. No charge-offs were made in 2009.

Changes in the provision for loan losses and related ALLL are driven in large part by the same factors discussed previously for the changes in reclassification from nonaccretable difference to accretable yield.

### *Changes in Cash Flow Estimates*

Over the life of the loan or loan pool, we continue to estimate cash flows expected to be collected. We evaluate at the balance sheet date whether the estimated present value of these loans using the effective interest rates has decreased below their carrying value, and if so, we record a provision for loan losses. The present value of any subsequent increase in these loans' actual or expected cash flows is used first to reverse any existing ALLL. During 2011, total reversals to the ALLL, including the impact of increases in estimated cash flows, were \$16.1 million. No such reversals were made in 2010 or 2009.

For loans or loan pools with no remaining ALLL, or where an ALLL was never established, that have increases in cash flows expected to be collected, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize this increase in interest income. Any related decrease to the FDIC IA is recorded through a charge to other noninterest expense.

The impact of increased cash flows for acquired loans with no ALLL was approximately \$78.4 million in 2011 and \$46.8 million in 2010 of additional interest income, and \$56.6 million in 2011 and \$39.2 million in 2010 of additional noninterest expense.

### *FDIC Indemnification Asset*

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

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Changes in the FDIC IA are as follows:

| <i>(In thousands)</i>  | <b>2011</b>        | <b>2010</b>          |
|--|--------------------|----------------------|
| Balance at beginning of year   | \$ 195,516         | \$ 293,308           |
| Amounts filed with the FDIC and collected or in process                              | 2,874 <sup>1</sup> | (95,664)             |
| Net change in asset balance due to reestimation of projected cash flows <sup>2</sup> | (64,580)           | (439)                |
| Other  |                    | (1,689) <sup>3</sup> |
| Balance at end of year   | \$ 133,810         | \$ 195,516           |

<sup>1</sup> The positive amount for December 31, 2011 results from a change by the FDIC in the indemnification submission process. Submitted expenses must be paid, not just incurred, to qualify for reimbursement.

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

<sup>3</sup> Amount did not qualify for FDIC reimbursement under the loss sharing agreement.

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

**7. ASSET SECURITIZATIONS AND OFF-BALANCE SHEET ARRANGEMENT**

In June 2009, Zions Bank fully consolidated Lockhart, which previously functioned as an off-balance sheet qualifying special-purpose entity ( QSPE ) securities conduit. As of September 30, 2009, Lockhart was legally terminated. Prior to this consolidation, Zions Bank purchased \$678 million of securities at book value from Lockhart in 2009. Valuation losses resulting from these purchases were \$187.9 million. The purchases of securities from Lockhart were made due to investment downgrades as required under a liquidity agreement between Zions Bank and Lockhart, and due to the inability of Lockhart to issue a sufficient amount of commercial paper.

Effective January 1, 2010, we adopted ASU No. 2009-16, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*. This new accounting guidance under ASC 860 modifies the accounting for transfers of financial assets and removes the concept of a QSPE. Because we dissolved Lockhart and our remaining activities related to transfers of financial assets have not been material, adoption of this new guidance was not significant to the Company's financial statements.

**8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

We record all derivatives on the balance sheet at fair value in accordance with ASC 815, *Derivatives and Hedging*. Note 21 discusses the determination of fair value for derivatives, except for the Company's total return swap which is discussed subsequently. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to credit risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the asset(s) to be protected, these derivatives generally may not be designated as accounting hedges. See discussion that follows regarding the total return swap.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances are being amortized into earnings, as discussed subsequently.

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

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

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

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

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

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

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Selected information with respect to notional amounts and recorded gross fair values at December 31, 2011 and 2010, and the related gain (loss) of derivative instruments for 2011 and 2010 is summarized as follows:

|   | December 31, 2011 |                   |   | Year Ended December 31, 2011 |  |          |                            |
|---|-------------------|-------------------|---|------------------------------|--|----------|----------------------------|
|   | Notional amount   | Fair value        |   | OCI                          | Amount of derivative gain (loss) recognized/reclassified |          | Offset to interest expense |
| Other assets  |                   | Other liabilities | Reclassified from AOCI to interest income |                              | Noninterest income (expense)                             |          |                            |
| <i>(In thousands)</i>   |                   |                   |   |                              |  |          |                            |
| Derivatives designated as hedging instruments under ASC 815     |                   |                   |   |                              |  |          |                            |
| Asset derivatives   |                   |                   |   |                              |  |          |                            |
| Cash flow hedges <sup>1</sup> :                                 |                   |                   |   |                              |  |          |                            |
| Interest rate swaps   | \$ 335,000        | \$ 7,341          | \$  | \$ 2,104                     | \$ 35,323  | \$       |                            |
| Interest rate floors  |                   |                   |   | 221                          | 1,950  |          |                            |
| Terminated swaps and floors                                     |                   |                   |   |                              |  |          |                            |
|   | 335,000           | 7,341             |   | 2,325                        | 37,273   |          | <sup>3</sup>               |
| Liability derivatives   |                   |                   |   |                              |  |          |                            |
| Fair value hedges:  |                   |                   |   |                              |  |          |                            |
| Terminated swaps on long-term debt                              |                   |                   |   |                              |  |          | \$ 2,950                   |
| Total derivatives designated as hedging instruments             | 335,000           | 7,341             |   | 2,325                        | 37,273   |          | 2,950                      |
| Derivatives not designated as hedging instruments under ASC 815 |                   |                   |   |                              |  |          |                            |
| Interest rate swaps   | 145,388           | 1,952             | 1,977                                     |                              |  |          | 123                        |
| Interest rate swaps for customers <sup>2</sup>                  | 2,638,601         | 82,648            | 87,363                                    |                              |  |          | 3,730                      |
| Energy commodity swaps for customers <sup>2</sup>               |                   |                   |   |                              |  |          | 56                         |
| Basis swaps   | 85,000            | 3                 | 11  |                              |  |          | 170                        |
| Futures contracts   |                   |                   |   |                              |  |          | 6,493                      |
| Options contracts   | 1,700,000         | 11                |   |                              |  |          | (27)                       |
| Total return swap   | 1,159,686         |                   | 5,422                                     |                              |  |          | (10,699)                   |
| Total derivatives not designated as hedging instruments         | 5,728,675         | 84,614            | 94,773                                    |                              |  |          | (154)                      |
| Total derivatives   | \$ 6,063,675      | \$ 91,955         | \$ 94,773                                 | \$ 2,325                     | \$ 37,273  | \$ (154) | \$ 2,950                   |

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|  | December 31, 2010<br>Fair value |                 |                      | OCI       | Year Ended December 31, 2010<br>Amount of derivative gain (loss)<br>recognized/reclassified |                                    |                                  |
|--|---------------------------------|-----------------|----------------------|-----------|---|------------------------------------|----------------------------------|
|  | Notional<br>amount              | Other<br>assets | Other<br>liabilities |           | Reclassified<br>from AOCI<br>to interest<br>income  | Noninterest<br>income<br>(expense) | Offset to<br>interest<br>expense |
| <i>(In thousands)</i>  |                                 |                 |                      |           |   |                                    |                                  |
| Derivatives designated as<br>hedging instruments under ASC 815     |                                 |                 |                      |           |   |                                    |                                  |
| Asset derivatives  |                                 |                 |                      |           |   |                                    |                                  |
| Cash flow hedges <sup>1</sup> :                                    |                                 |                 |                      |           |   |                                    |                                  |
| Interest rate swaps  | \$ 520,000                      | \$ 24,266       | \$ 310               | \$ 13,286 | \$ 63,030   | \$                                 |                                  |
| Interest rate floors   | 95,000                          | 1,229           |                      | 888       | 2,944   |                                    |                                  |
| Terminated swaps and floors  |                                 |                 |                      |           |   |                                    | 8,962                            |
|  | 615,000                         | 25,495          | 310                  | 14,174    | 65,974  |                                    | 8,962 <sup>3</sup>               |
| Liability derivatives  |                                 |                 |                      |           |   |                                    |                                  |
| Fair value hedges:   |                                 |                 |                      |           |   |                                    |                                  |
| Terminated swaps on long-term debt                                 |                                 |                 |                      |           |   |                                    | \$ 3,141                         |
| Total derivatives designated as hedging<br>instruments             | 615,000                         | 25,495          | 310                  | 14,174    | 65,974  | 8,962                              | 3,141                            |
| Derivatives not designated as hedging instruments<br>under ASC 815 |                                 |                 |                      |           |   |                                    |                                  |
| Interest rate swaps  | 169,982                         | 2,978           | 3,016                |           |   |                                    | (418)                            |
| Interest rate swaps for customers <sup>2</sup>                     | 3,006,723                       | 64,509          | 68,141               |           |   |                                    | 745                              |
| Energy commodity swaps for customers <sup>2</sup>                  |                                 |                 |                      |           |   |                                    | (289)                            |
| Basis swaps  | 175,000                         | 29              |                      |           |   |                                    | 308                              |
| Futures contracts  | 9,529,000                       |                 |                      |           |   |                                    | (219)                            |
| Options contracts  | 3,015,000                       | 3,576           |                      |           |   |                                    | 1,934                            |
| Total return swap  | 1,159,686                       |                 | 15,925               |           |   |                                    | (22,795)                         |
| Total derivatives not designated as hedging<br>instruments         | 17,055,391                      | 71,092          | 87,082               |           |   |                                    | (20,734)                         |
| Total derivatives  | \$ 17,670,391                   | \$ 96,587       | \$ 87,392            | \$ 14,174 | \$ 65,974   | \$ (11,772)                        | \$ 3,141                         |

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

<sup>1</sup> Amounts recognized in OCI and reclassified from accumulated OCI ( AOCI ) represent the effective portion of the derivative gain (loss).

<sup>2</sup> Amounts include both the customer swaps and the offsetting derivative contracts.

<sup>3</sup> Amounts for 2011 and 2010 of \$0 and \$8,962, respectively, which reflect the acceleration of OCI amounts reclassified to income that related to previously terminated hedges, together with the reclassification amounts of \$37,273 and \$65,974, or a total of \$37,273 and \$74,936, respectively, are the amounts of reclassification included in the changes in OCI presented in Note 14.

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At December 31, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of \$4.7 million and \$(0.1) million in 2011, and \$3.5 million and \$(0.3) million in 2010, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

Fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) have been offset against recognized fair value amounts of derivatives executed with the same counterparty under a master netting arrangement. In the balance sheet, cash collateral was used to reduce recorded amounts of derivative assets and liabilities by \$0 and \$1.5 million at December 31, 2011, and \$0 and \$0.8 million at December 31, 2010, respectively.

We offer to our customers interest rate swaps and, through the third quarter of 2010, energy commodity swaps to assist them in managing their exposure to fluctuating interest rates and energy prices. Upon issuance, all of these customer swaps are immediately hedged by offsetting derivative contracts, such that the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

Futures and options contracts primarily consisted of Eurodollar futures contracts that allowed us to extend the duration of certain overnight cash account balances. These contracts referenced the 90-day London Interbank Offered Rate (LIBOR). Options contracts were used to economically hedge certain interest rate exposures of the underlying Eurodollar futures contracts. Futures contracts also included federal funds futures contracts that were traded to manage interest rate risk on certain CDO securities. During 2011, we terminated all of the Eurodollar and federal funds futures contracts, or a net amount of approximately \$9.5 billion, and another \$1.3 million of the options contracts.

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

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following December 31, 2011, we estimate that an additional \$13 million will be reclassified.

***Total Return Swap***

On July 28, 2010, we entered into a total return swap and related interest rate swaps (TRS) with Deutsche Bank AG (DB) relating to a portfolio of \$1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). The transaction reduced regulatory risk-weighted assets and improved the Company's risk-based capital ratios.

The transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized, and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.

The fair value of the TRS derivative liability was \$5.4 million and \$15.9 million at December 31, 2011 and 2010, respectively.

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Both the fair values of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. The period that we are unable to cancel the transaction has shortened to and will remain at one calendar quarter. Accordingly, absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its December 31, 2011 fair value. We expect to incur subsequent net quarterly costs of approximately \$5.3 million under the TRS, including related interest rate swaps and scheduled payments of interest on the underlying CDOs, as long as the TRS remains in place for this CDO portfolio. Our estimated quarterly expense amount would be impacted by, among other things, changes in the composition of the CDO portfolio included in the transaction and changes over time in the forward LIBOR rate curve. The Company's costs are also subject to adjustment in the event of future changes in regulatory requirements applicable to DB if we do not then elect to terminate the transaction. Termination by the Company for such regulatory changes applicable to DB will result in no payment by the Company.

At December 31, 2011, we completed a valuation process which resulted in an estimated fair value for the TRS under Level 3. The process utilized valuation inputs from two sources:

- 1) The Company built on its fair valuation process for the underlying CDO portfolio and utilized those same projected cash flows to quantify the extent and timing of payments to be received from the Trustee related to each CDO and in the aggregate. For valuation purposes, we assumed that a market participant would cancel the TRS at the first opportunity if the TRS did not have a positive value based on the best estimates of cash flows through maturity. Consequently, the fair value approximated the amount of required payments up to the earliest termination date.
- 2) A valuation from a market participant in possession of all relevant terms and costs of the TRS structure. We considered the observable input or inputs from the market participant, who is the counterparty to this transaction, as well as the results of our internal modeling in estimating the fair value of the TRS. We expect to continue the use of this methodology in subsequent periods.

**9. PREMISES AND EQUIPMENT**

Premises and equipment are summarized as follows:

| <i>(In thousands)</i>                          | December 31,      |                   |
|--|-------------------|-------------------|
|  | 2011              | 2010              |
| Land   | \$ 187,187        | \$ 191,612        |
| Buildings                                      | 488,985           | 475,830           |
| Furniture and equipment                        | 593,046           | 581,464           |
| Leasehold improvements                         | 120,015           | 119,030           |
| <b>Total</b>                                   | <b>1,389,233</b>  | <b>1,367,936</b>  |
| Less accumulated depreciation and amortization | 669,957           | 646,951           |
| <b>Net book value</b>                          | <b>\$ 719,276</b> | <b>\$ 720,985</b> |

**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

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

| <i>(In thousands)</i>                        | Gross carrying amount |            | Accumulated amortization |              | Net carrying amount |           |
|--|-----------------------|------------|--------------------------|--------------|---------------------|-----------|
|  | 2011                  | 2010       | 2011                     | 2010         | 2011                | 2010      |
| Core deposit intangibles                     | \$ 213,555            | \$ 215,138 | \$ (151,790)             | \$ (135,632) | \$ 61,765           | \$ 79,506 |
| Customer relationships and other intangibles | 29,064                | 33,974     | (22,999)                 | (25,582)     | 6,065               | 8,392     |

|    |         |    |         |    |           |    |           |    |        |    |        |
|----|---------|----|---------|----|-----------|----|-----------|----|--------|----|--------|
| \$ | 242,619 | \$ | 249,112 | \$ | (174,789) | \$ | (161,214) | \$ | 67,830 | \$ | 87,898 |
|----|---------|----|---------|----|-----------|----|-----------|----|--------|----|--------|



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The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income. In 2009, this amortization expense included approximately \$2.6 million for the impairment of certain amounts for customer relationships and other intangibles.

Estimated amortization expense for core deposit and other intangible assets is as follows for the five years succeeding December 31, 2011.

| <i>(In thousands)</i> |           |
|-----------------------|-----------|
| 2012                  | \$ 17,010 |
| 2013                  | 14,500    |
| 2014                  | 11,054    |
| 2015                  | 9,380     |
| 2016                  | 8,025     |

Changes in the carrying amount of goodwill by operating segment are as follows:

| <i>(In thousands)</i>           | <b>Zions<br/>Bank</b> | <b>CB&amp;T</b> | <b>Amegy</b> | <b>NBA</b> | <b>NSB</b> | <b>Vectra</b> | <b>Other</b> | <b>Consolidated<br/>Company</b> |
|---------------------------------|-----------------------|-----------------|--------------|------------|------------|---------------|--------------|---------------------------------|
| Balance as of December 31, 2009 | \$ 19,514             | \$ 379,024      | \$ 615,623   | \$         | \$         | \$            | \$ 1,000     | \$ 1,015,161                    |
| Impairment losses               |                       |                 |              |            |            |               |              |                                 |
| Balance as of December 31, 2010 | 19,514                | 379,024         | 615,623      |            |            |               | 1,000        | 1,015,161                       |
| Impairment losses               |                       |                 |              |            |            |               |              |                                 |
| Adjustment <sup>1</sup>         |                       |                 | (32)         |            |            |               |              | (32)                            |
| Balance as of December 31, 2011 | \$ 19,514             | \$ 379,024      | \$ 615,591   | \$         | \$         | \$            | \$ 1,000     | \$ 1,015,129                    |

<sup>1</sup> Adjustment to goodwill consists of the tax benefit derived from the exercise of certain employee stock options that existed at the time of the acquisition of Amegy. A Company-wide annual impairment test is conducted as of October 1 of each year and updated on a more frequent basis when events or circumstances indicate that impairment could have taken place.

Goodwill impairment of \$636.2 million in 2009 related primarily to Amegy and resulted from an evaluation performed for Amegy and CB&T that was completed in February 2009 as a result of the Company's performance deterioration and declines in bank market values from the previous year-end. The amount of this impairment loss was determined based on the calculation process specified in ASC 350, which compares carrying value to the estimated fair values of assets and liabilities. These fair values were estimated with the assistance of independent valuation consultants utilizing the provisions of ASC 820. The estimation process took into account both market value and transaction value approaches including management estimates of projected discounted cash flows. Where applicable, we used recent market valuations and transactions from banks similar in size, operations and geography to our subsidiary banks. The analysis considered the continued market deterioration and weaker economic outlook for the applicable states.

In September 2011, the FASB issued ASU 2011-08, *Testing Goodwill for Impairment*. This new accounting guidance amends ASC 350 and simplifies the process to test goodwill for impairment by allowing for greater emphasis to be placed on the assessment of qualitative factors. If, after considering the totality of events and circumstances, the likelihood is not more than 50% that the fair value of a reporting unit is less than carrying value, companies need not perform the two-step impairment test. This amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Management is currently evaluating the effect this new guidance will have on the Company's financial statements.

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At December 31, 2011, the scheduled maturities of all time deposits were as follows:

| <i>(In thousands)</i> |                     |
|-----------------------|---------------------|
| 2012                  | \$ 2,767,242        |
| 2013                  | 347,444             |
| 2014                  | 186,986             |
| 2015                  | 131,112             |
| 2016                  | 120,566             |
| Thereafter            | 794                 |
|                       | <b>\$ 3,554,144</b> |

At December 31, 2011, the contractual maturities of domestic time deposits with a denomination of \$100,000 and over were as follows: \$506 million in 3 months or less, \$377 million over 3 months through 6 months, \$502 million over 6 months through 12 months, and \$395 million over 12 months.

Domestic time deposits under \$100,000 were \$1.6 billion and \$2.0 billion at December 31, 2011 and 2010, respectively. Domestic time deposits \$100,000 and over were \$1.8 billion and \$2.2 billion at December 31, 2011 and 2010, respectively. Foreign time deposits \$100,000 and over were \$141 million and \$297 million at December 31, 2011 and 2010, respectively.

Deposit overdrafts reclassified as loan balances were \$53 million and \$39 million at December 31, 2011 and 2010, respectively.

**12. SHORT-TERM BORROWINGS**

Selected information for certain short-term borrowings is as follows:

| <i>(Dollars in thousands)</i>   | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       |
|---|-------------------|-------------------|-------------------|
| <b>Federal funds purchased:</b>   |                   |                   |                   |
| Average amount outstanding  | \$ 312,730        | \$ 465,661        | \$ 1,290,140      |
| Weighted average rate   | 0.20%             | 0.22%             | 0.30%             |
| Highest month-end balance   | \$ 361,217        | \$ 814,264        | \$ 1,659,303      |
| Year-end balance  | 214,224           | 310,727           | 208,669           |
| Weighted average rate on outstandings at year-end                             | 0.20%             | 0.15%             | 0.21%             |
| <b>Security repurchase agreements:</b>  |                   |                   |                   |
| Average amount outstanding  | \$ 340,015        | \$ 454,288        | \$ 632,756        |
| Weighted average rate   | 0.05%             | 0.08%             | 0.30%             |
| Highest month-end balance   | \$ 393,874        | \$ 615,170        | \$ 784,182        |
| Year-end balance  | 393,874           | 411,531           | 577,346           |
| Weighted average rate on outstandings at year-end                             | 0.06%             | 0.07%             | 0.16%             |
| <b>Federal funds purchased and security repurchase agreements at year-end</b> | <b>\$ 608,098</b> | <b>\$ 722,258</b> | <b>\$ 786,015</b> |

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These short-term borrowings generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis (i.e., 30 or 60 days). Certain overnight agreements are performed with sweep accounts in conjunction with a master repurchase agreement. In this case, securities under our control are pledged for and interest is paid on the collected balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. As of December 31, 2011, overnight security repurchase agreements were \$382 million and term security repurchase agreements were \$12 million.

Other short-term borrowings are summarized as follows:

| <i>(In thousands)</i>    | December 31, |            |
|--------------------------|--------------|------------|
|                          | 2011         | 2010       |
| Senior medium-term notes | \$ 66,883    | \$ 160,636 |
| Commercial paper         | 3,063        | 2,647      |
| Other                    | 327          | 3,111      |
|                          | \$ 70,273    | \$ 166,394 |

The unsecured senior medium-term notes mature at various dates through May 2012 at interest rates ranging from 2.00% to 2.75% at December 31, 2011. See also Note 13.

Our subsidiary banks may borrow from the Federal Home Loan Bank ( FHLB ) under their lines of credit that are secured under blanket pledge arrangements. The subsidiary banks maintain unencumbered collateral with carrying amounts adjusted for the types of collateral pledged, equal to at least 100% of the outstanding advances. At December 31, 2011, the amount available for FHLB advances was approximately \$9.4 billion. At December 31, 2011, no short-term FHLB advances were outstanding.

Our subsidiary banks also borrow from the Federal Reserve through the Term Auction Facility. Amounts that can be borrowed are based upon the amount of collateral pledged to a Federal Reserve Bank. At December 31, 2011, the amount available for additional Federal Reserve borrowings was approximately \$3.9 billion.

**13. LONG-TERM DEBT**

Long-term debt is summarized as follows:

| <i>(In thousands)</i>  | December 31, |              |
|--|--------------|--------------|
|  | 2011         | 2010         |
| Junior subordinated debentures related to trust preferred securities | \$ 461,858   | \$ 461,858   |
| Convertible subordinated notes                                       | 323,159      | 417,643      |
| Subordinated notes   | 220,168      | 223,057      |
| Senior medium-term notes   | 924,716      | 819,174      |
| FHLB advances  | 23,840       | 20,132       |
| Capital lease obligations and other                                  | 721          | 758          |
|  | \$ 1,954,462 | \$ 1,942,622 |

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

**Table of Contents****Trust Preferred Securities**

Junior subordinated debentures related to trust preferred securities primarily include debentures issued to Zions Capital Trust B ( ZCTB ), Amegy Statutory Trusts I, II and III ( Amegy Trust I, II or III ), and Stockmen s Statutory Trusts II and III ( Stockmen s Trust II or III ) as follows at December 31, 2011.

| <i>(Dollars in thousands)</i>      | <b>Balance</b> | <b>Interest rate<sup>1</sup></b> | <b>Maturity</b> |
|------------------------------------|----------------|----------------------------------|-----------------|
| ZCTB                               | \$ 293,815     | 8.00%                            | Sep 2032        |
| Amegy Trust I                      | 51,547         | 3mL+2.85%                        | Dec 2033        |
|                                    |                | (3.41%)                          |                 |
| Amegy Trust II                     | 36,083         | 3mL+1.90%                        | Oct 2034        |
|                                    |                | (2.30%)                          |                 |
| Amegy Trust III                    | 61,856         | 3mL+1.78%                        | Dec 2034        |
|                                    |                | (2.33%)                          |                 |
| Stockmen s Trust II                | 7,732          | 3mL+3.15%                        | Mar 2033        |
|                                    |                | (3.72%)                          |                 |
| Stockmen s Trust III               | 7,732          | 3mL+2.89%                        | Mar 2034        |
|                                    |                | (3.45%)                          |                 |
| Intercontinental Statutory Trust I | 3,093          | 3mL+2.85%                        | Mar 2034        |
|                                    |                | (3.41%)                          |                 |
|                                    | \$ 461,858     |                                  |                 |

<sup>1</sup> Designation of 3mL is three-month LIBOR; effective interest rate at the beginning of the accrual period commencing on or before December 31, 2011 is shown in parenthesis.

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

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

The debentures for ZCTB are direct and unsecured obligations of the Parent and are subordinate to other indebtedness and general creditors. The debentures for Amegy Trust I, II and III are direct and unsecured obligations of Amegy and are subordinate to other indebtedness and general creditors. The debentures for Stockmen s Trust II and III are unsecured obligations of Stockmen s assumed by the Parent in connection with the acquisition of Stockmen s by NBA. The Parent has unconditionally guaranteed the obligations of ZCTB with respect to its trust preferred securities to the extent set forth in the applicable guarantee agreement. Amegy has unconditionally guaranteed the obligations of Amegy Trust I, II and III with respect to their respective series of trust preferred securities to the extent set forth in the applicable guarantee agreements. The Parent has assumed Stockmen s unconditional guarantees of the obligations of Stockmen s Trust II and III with respect to their respective series of

trust preferred securities to the extent set forth in the applicable guarantee agreements.

**Table of Contents****Subordinated Notes and Subordinated Debt Modification**

Subordinated notes consist of the following at December 31, 2011.

| <i>(Dollars in thousands)</i>  | Convertible<br>subordinated notes |               | Subordinated notes |                     | Maturity |
|--------------------------------|-----------------------------------|---------------|--------------------|---------------------|----------|
|                                | Balance                           | Par<br>amount | Balance            | Par<br>amount       |          |
| Interest rate                  |                                   |               |                    |                     |          |
| 5.65%                          | \$ 80,980                         | \$ 126,858    | \$ 32,178          | \$ 30,173           | May 2014 |
| 6.00%                          | 132,506                           | 230,443       | 45,964             | 42,303              | Sep 2015 |
| 5.50%                          | 109,673                           | 190,064       | 67,026             | 62,078              | Nov 2015 |
| 3mL+1.25% (1.88%) <sup>1</sup> |                                   |               | 75,000             | 75,000 <sup>2</sup> | Sep 2014 |
|                                | \$ 323,159                        | \$ 547,365    | \$ 220,168         | \$ 209,554          |          |

<sup>1</sup> Designation of 3mL is three-month LIBOR; effective interest rate at the beginning of the accrual period commencing on or before December 31, 2011 is shown in parenthesis.

<sup>2</sup> Issued by Amegy.

These notes are unsecured and are not redeemable prior to maturity. Interest is payable semiannually.

In 2009, we exchanged a total of approximately \$190.1 million par value of the subordinated notes for new notes with the same terms. The remaining \$1,210.0 million par value of the subordinated notes was modified to permit conversion on a par-for-par basis into either the Company's Series A or Series C preferred stock. The carrying value of the subordinated notes included associated terminated fair value hedges. Holders of the convertible subordinated debt are allowed to convert on the interest payment dates of the debt. Net of issuance costs and debt discount on the previous debt, the total pretax gain recognized in the statement of income from these subordinated debt modifications was \$508.9 million. The gain was calculated as the difference between the fair value of the modified convertible subordinated notes and the carrying value of the extinguished debt on the transaction dates.

In connection with these subordinated debt modifications, we also recorded the intrinsic value of the beneficial conversion feature directly in common stock, as discussed in Note 14.

Subordinated notes converted to preferred stock amounted to \$256.1 million in 2011, \$343.0 million in 2010, and \$63.4 million in 2009.

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

| <i>(In thousands)</i>  | 2011       | 2010       | 2009       |
|--|------------|------------|------------|
| Balance at beginning of year                                       | \$ 385,831 | \$ 616,240 | \$ 678,924 |
| Convertible debt discount from debt modifications                  |            |            | 678,924    |
| Discount amortization on convertible subordinated debt             | (46,021)   | (57,963)   | (26,955)   |
| Accelerated discount amortization on convertible subordinated debt | (115,604)  | (172,446)  | (35,729)   |
| Total amortization   | (161,625)  | (230,409)  | (62,684)   |
| Balance at end of year   | \$ 224,206 | \$ 385,831 | \$ 616,240 |

As discussed in Note 8, we terminated all fair value hedges that had been used for the subordinated notes. The remaining value of \$10.8 million and \$13.8 million at December 31, 2011 and 2010, respectively, is amortized as a reduction of interest expense over the periods to the previously stated maturity dates of the notes.

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In 2010, we exchanged \$55.6 million of nonconvertible subordinated debt into shares of the Company's common stock, as discussed further in Note 14. The net pretax gain on subordinated debt exchange included in the statement of income was approximately \$14.5 million, and represented the difference between the carrying value of the debt exchanged and the fair value of the common stock issued, net of commissions and fees.

**Senior Medium-term Notes**

Senior medium-term notes consist of the following at December 31, 2011.

(Dollars in thousands)

| Interest rate                  | Balance    | Par amount | Interest payments | Maturity          |
|--------------------------------|------------|------------|-------------------|-------------------|
| 3mL+0.37% (0.78%) <sup>1</sup> | \$ 254,771 | \$ 254,893 | Quarterly         | Jun 2012          |
| 7.75%                          | 462,178    | 499,900    | Semiannually      | Sep 2014          |
| 2.00% 5.50%                    | 207,767    | 207,969    | Semiannually      | Sep 2012 Nov 2016 |
|                                | \$ 924,716 |            |                   |                   |

<sup>1</sup> Designation of 3mL is three-month LIBOR; effective interest rate at the beginning of the accrual period commencing on or before December 31, 2011 is shown in parenthesis.

These notes are unsecured and are not redeemable prior to maturity. The variable rate notes are guaranteed under the FDIC's Temporary Liquidity Guarantee Program. The remaining notes were issued under a shelf registration filed with the SEC. The \$207.8 million notes were sold via the Company's online auction process and direct sales.

**FHLB Advances**

The FHLB advances were issued to Amegy with maturities from June 2014 to September 2041 at interest rates from 2.81% to 6.98%. The weighted average interest rate on advances outstanding was 4.5% and 4.6% at December 31, 2011 and 2010, respectively.

**Interest Expense and Maturities**

Interest expense on long-term debt included in the statement of income was reduced by \$3.0 million in 2011, \$3.1 million in 2010, and \$26.2 million in 2009 as a result of the associated hedges.

Maturities on long-term debt are as follows for the years succeeding December 31, 2011.

| (In thousands) | Consolidated | Parent only  |
|----------------|--------------|--------------|
| 2012           | \$ 372,150   | \$ 372,111   |
| 2013           | 18,222       | 18,179       |
| 2014           | 648,412      | 573,322      |
| 2015           | 346,401      | 346,339      |
| 2016           | 75,366       | 72,249       |
| Thereafter     | 483,067      | 309,278      |
|                | \$ 1,943,618 | \$ 1,691,478 |

These maturities do not include the associated hedges. The \$309.3 million of Parent only maturities at December 31, 2011 are for the junior subordinated debentures payable to ZCTB and Stockmen's Trust II and III after 2016.



*Subsequent Event*

As of February 15, 2012, holders of approximately \$29.8 million of subordinated convertible notes elected to convert their debt into depositary shares of the Company's preferred stock. This anticipated conversion will add 370 shares of Series A and 29,404 shares of Series C to the Company's preferred stock.

**Table of Contents****14. SHAREHOLDERS EQUITY*****Preferred Stock***

Preferred stock is without par value and has a liquidation preference of \$1,000 per share. In May 2010, Company shareholders approved an increase in the number of authorized preferred shares from 3,000,000 to 4,400,000.

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. Redemption of the preferred stock is at the Company's option after the expiration of any applicable redemption restrictions. The redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. Additional redemption provisions for the Series D preferred stock are discussed subsequently.

The Series A, C and E shares were issued in the form of depositary shares with each depositary share representing a 1/40<sup>th</sup> ownership interest in a share of the preferred stock. Dividend payments are made on the 15<sup>th</sup> day of March, June, September, and December. The shares are registered with the SEC.

Preferred stock is summarized as follows:

| <i>(Dollar amounts in thousands)</i>    | Rate     | Earliest           | Shares at         |                   | Carrying value at |                   |
|---|----------|--------------------|-------------------|-------------------|-------------------|-------------------|
|   |          | redemption date    | December 31, 2011 | December 31, 2011 | December 31, 2011 | December 31, 2010 |
| Series A                                | Floating | December 15, 2011  | 140,000           | 59,683            | \$ 59,740         | \$ 59,457         |
| Series C                                | 9.5%     | September 15, 2013 | 1,400,000         | 709,103           | 820,016           | 521,051           |
| Series D, TARP Capital Purchase Program | 5.0%     | November 15, 2011  | 1,400,000         | 1,400,000         | 1,355,304         | 1,333,664         |
| Series E                                | 11.0%    | June 15, 2012      | 250,000           | 142,500           | 142,500           | 142,500           |
|   |          |                    |                   |                   | \$ 2,377,560      | \$ 2,056,672      |

The Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock was sold through underwriters. Dividends are computed at an annual rate equal to the greater of three-month LIBOR plus 0.52%, or 4.0%. Increases in the amount of this preferred stock for the periods presented herein resulted from conversions of convertible subordinated debt, as discussed subsequently.

The Series C 9.50% Non-Cumulative Perpetual Preferred Stock offering was sold primarily by Zions Direct, Inc., the Company's broker/dealer subsidiary, via an online auction process and by direct sales. Increases in the amount of this preferred stock for the periods presented herein resulted from conversions of convertible subordinated debt, as discussed subsequently.

The Series D Fixed-Rate Cumulative Perpetual Preferred Stock was issued in November 2008 to the U.S. Department of the Treasury for \$1.4 billion. The Emergency Economic Stabilization Act of 2008 authorized the U.S. Treasury to appropriate funds to eligible financial institutions participating in the Troubled Asset Relief Program ( TARP ) Capital Purchase Program. The capital investment includes the issuance of preferred shares of the Company and a warrant to purchase common shares pursuant to a Letter Agreement and a Securities Purchase agreement (collectively the Agreement ). The dividend rate of 5% increases to 9% after the first five years. Dividend payments are made on the 15<sup>th</sup> day of February, May, August, and November. The warrant allows the U.S. Treasury to purchase up to 5,789,909 shares of the Company's common stock exercisable over a 10-year period at a price per share of \$36.27. The preferred shares and the warrant qualify for Tier 1 regulatory

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capital. The Agreement subjects the Company to certain restrictions and conditions including those related to common dividends, share repurchases, executive compensation, and corporate governance. In addition, the Series D TARP preferred stock must be redeemed in full before any other preferred stock may be redeemed. Further, redemption of the Series D TARP preferred stock is subject to regulatory approval.

We recorded the total \$1.4 billion of the Series D preferred shares and the warrant at their relative fair values of \$1,292.2 million and \$107.8 million, respectively. The difference from the par amount of the preferred shares is accreted to preferred stock over five years using the interest method with a corresponding adjustment to preferred dividends. This accretion amounted to \$21.6 million in 2011, \$20.2 million in 2010, and \$18.6 million in 2009.

The Series E Fixed-Rate Resettable Non-Cumulative Perpetual Preferred Stock offering was sold for \$142.5 million in June 2010 through underwriters, including Zions Direct, Inc. Associated commissions and fees amounted to \$3.8 million. The initial dividend rate of 11% is resettable beginning June 15, 2012 and every two years thereafter at the then current two-year U.S. Treasury rate, plus 10.22%.

In connection with the subordinated debt modifications discussed in Note 13, we recorded \$202.8 million after-tax directly in common stock for the intrinsic value of the beneficial conversion feature of the modified subordinated debt. The Company has no par common stock and all additional paid-in capital transactions are recorded in common stock. The intrinsic value of the beneficial conversion feature was calculated as the difference between the fair value of the preferred stock into which the debt is convertible (multiplied by the number of related shares) and the fair value of the modified convertible debt on the commitment dates. The commitment date is defined as the date when both parties are bound to the terms of the transaction, which was the expiration of the exchange offer and corresponded with the transaction date. At the time of each conversion of the convertible debt to preferred stock, a proportional amount of the intrinsic value of the beneficial conversion feature is transferred from common stock to preferred stock.

As discussed in Note 13, approximately \$256.1 million in 2011, \$343.0 million in 2010, and \$63.4 million in 2009 of convertible subordinated notes were converted into preferred stock. As a result, approximately \$43.1 million in 2011, \$56.8 million in 2010, and \$11.0 million in 2009 of the intrinsic value of the beneficial conversion feature was transferred from common stock to preferred stock. The remaining balance of the beneficial conversion feature included in common stock was approximately \$91.9 million and \$135.0 million at December 31, 2011 and 2010, respectively.

In June 2009, through a tender offer, we purchased 4,020,435 depositary shares of Series A preferred stock at a price of \$11.50 per depositary share, or an aggregate amount of \$46.4 million including accrued dividends. At a \$25 per depositary share liquidation preference, the purchase reduced the \$240 million carrying value of the Series A preferred stock by approximately \$100.5 million. Net of related costs, the preferred stock redemption resulted in a \$54.0 million increase to common shareholders' equity. The purchase price of \$11.50 per depositary share was determined based on a modified Dutch auction pricing mechanism.

***Common Stock***

We issued \$25.5 million in 2011, \$633.3 million in 2010, and \$472.7 million in 2009 of new common stock under common equity distribution agreements. The latest program announced on February 10, 2011, under which the 2011 sales were made, provided for the sale of up to \$200 million of common stock and superseded all prior programs. The issuances consisted of approximately 1.1 million shares in 2011 at an average price of \$23.89 per share, 29.6 million shares in 2010 at an average price of \$21.43 per share, and 31.7 million shares in 2009 at an average price of \$14.89 per share. Net of commissions and fees, these issuances added \$25.0 million in 2011, \$623.5 million in 2010, and \$464.1 million in 2009 to common stock.

During 2010, we sold a total of 29.3 million common stock warrants for \$221.8 million. The sales consisted of 7.0 million warrants for \$36.8 million, or \$5.25 per warrant, in September 2010, and 22.3 million warrants for

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\$185.0 million, or \$8.3028 per warrant, in June 2010. Each of the warrants can be exercised for a share of common stock at an initial price of \$36.63 through May 22, 2020. Net of commissions and fees, the total issuance added \$214.6 million to common stock.

In June 2010, \$8.6 million of Series A preferred stock was exchanged for 224,903 shares of the Company's common stock at the then fair value of \$23.82 per share. The result of the \$5.5 million of common stock issued in this preferred stock redemption increased retained earnings by approximately \$3.1 million.

In March 2010, we issued approximately 2.2 million shares of common stock, or \$46.9 million net of commissions and fees, in exchange for \$55.6 million of nonconvertible subordinated debt. The number of shares issued was determined using an exchange ratio based on a common stock price of \$22.5433 per share. This per share amount was calculated based on the defined weighted average price of our common stock for each of the five consecutive days ending on the March 24, 2010 expiration date of our exchange offer.

In December 2009, we completed the exchange of approximately \$71.5 million of Series A preferred stock into approximately 2.8 million shares of common stock. The number of shares was determined based on an exchange ratio calculation specified in the exchange offer. Among other things, the calculation of the exchange ratio included a defined weighted average price of our common shares for each of the five consecutive days ending on the December 17, 2009 expiration date, or \$13.2056 per share. Approximately \$32.4 million, which is net of \$0.7 million of issuance costs, was included in retained earnings as the difference between the \$37.2 million fair value of the common shares on the date of exchange plus the \$1.2 million original issuance costs of the preferred stock and the carrying value of the preferred stock exchanged.

**Table of Contents****Accumulated Other Comprehensive Income**

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

| <i>(In thousands)</i>  | Net unrealized<br>gains (losses)<br>on investments<br>and retained<br>interests | Net<br>unrealized<br>gains<br>(losses) on<br>derivative<br>instruments | Pension<br>and post-<br>retirement | Total        |
|--|---|--|------------------------------------|--------------|
| <b>Balance at December 31, 2008</b>  | \$ (248,871)  | \$ 196,656   | \$ (46,743)                        | \$ (98,958)  |
| Cumulative effect of change in accounting principle, adoption of new OTTI guidance in ASC 320                                | (137,462)   |  |                                    | (137,462)    |
| Other comprehensive income (loss), net of tax:   |   |  |                                    |              |
| Net realized and unrealized holding losses net of income tax benefit of \$40,454   | (65,037)  |  |                                    | (65,037)     |
| Reclassification for net losses included in earnings, net of income tax benefit of \$102,284                                 | 162,206   |  |                                    | 162,206      |
| Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of \$115,159            | (174,244)   |  |                                    | (174,244)    |
| Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of \$673 | 996   |  |                                    | 996          |
| Net unrealized losses, net of reclassification to earnings of \$223,103 and income tax benefit of \$80,033                   |   | (128,597)  |                                    | (128,597)    |
| Pension and postretirement, net of income tax expense of \$2,694   |   |  | 4,197                              | 4,197        |
| Other comprehensive income (loss)  | (76,079)  | (128,597)  | 4,197                              | (200,479)    |
| <b>Balance at December 31, 2009</b>  | (462,412)   | 68,059   | (42,546)                           | (436,899)    |
| Other comprehensive income (loss), net of tax:   |   |  |                                    |              |
| Net realized and unrealized holding gains, net of income tax expense of \$2,230  | 4,248   |  |                                    | 4,248        |
| Reclassification for net losses included in earnings, net of income tax benefit of \$28,611                                  | 45,689  |  |                                    | 45,689       |
| Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of \$27,177             | (43,920)  |  |                                    | (43,920)     |
| Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of \$81  | 131   |  |                                    | 131          |
| Net unrealized losses, net of reclassification to earnings of \$74,936 and income tax benefit of \$23,405                    |   | (37,357)   |                                    | (37,357)     |
| Pension and postretirement, net of income tax expense of \$4,440   |   |  | 6,812                              | 6,812        |
| Other comprehensive income (loss)  | 6,148   | (37,357)   | 6,812                              | (24,397)     |
| <b>Balance at December 31, 2010</b>  | (456,264)   | 30,702   | (35,734)                           | (461,296)    |
| Other comprehensive income (loss), net of tax:   |   |  |                                    |              |
| Net realized and unrealized holding losses, net of income tax benefit of \$47,986  | (77,280)  |  |                                    | (77,280)     |
| Reclassification for net losses included in earnings, net of income tax benefit of \$8,194                                   | 12,852  |  |                                    | 12,852       |
| Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of \$17,161             | (26,481)  |  |                                    | (26,481)     |
| Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of \$255 | 410   |  |                                    | 410          |
| Net unrealized losses, net of reclassification to earnings of \$37,273 and income tax benefit of \$13,649                    |   | (21,298)   |                                    | (21,298)     |
| Pension and postretirement, net of income tax benefit of \$12,353  |   |  | (18,991)                           | (18,991)     |
| Other comprehensive income (loss)  | (90,499)  | (21,298)   | (18,991)                           | (130,788)    |
| <b>Balance at December 31, 2011</b>  | \$ (546,763)  | \$ 9,404   | \$ (54,725)                        | \$ (592,084) |



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As discussed in Note 5, we adopted new guidance under ASC 320 as of January 1, 2009 related to the accounting for noncredit-related impairment losses on investment securities not expected to be sold. In addition to the ongoing effect on AOCI, the cumulative effect of adopting this new guidance increased retained earnings and decreased AOCI by \$137.5 million.

**Deferred Compensation**

Deferred compensation at year-end consists of the cost of the Company's common stock held in rabbi trusts established for certain employees and directors. At December 31, 2011 and 2010, the cost of the common stock was approximately \$14.8 million and \$16.1 million, respectively, and was included in retained earnings. We consolidate the fair value of invested assets of the trusts along with the total obligations and include them in other assets and other liabilities, respectively, in the balance sheet. At December 31, 2011 and 2010, total invested assets were approximately \$64.5 million and \$70.5 million and total obligations were approximately \$79.3 million and \$86.6 million, respectively.

**Noncontrolling Interests**

In June 2010, we liquidated our ownership of certain consolidated venture funds. We also changed the ownership structure of another venture fund such that we are no longer required to consolidate it under the accounting guidance in ASC 810. The effect of these transactions decreased the amount of noncontrolling interests by approximately \$15 million. The consolidated financial statements were not otherwise significantly affected.

**15. INCOME TAXES**

Income taxes (benefit) are summarized as follows:

| <i>(In thousands)</i> | <b>2011</b> | <b>2010</b>  | <b>2009</b>  |
|-----------------------|-------------|--------------|--------------|
| <b>Federal:</b>       |             |              |              |
| Current               | \$ 62,810   | \$ (80,914)  | \$ (375,610) |
| Deferred              | 106,902     | (15,210)     | 24,171       |
|                       | 169,712     | (96,124)     | (351,439)    |
| <b>State:</b>         |             |              |              |
| Current               | 20,169      | 2,760        | (10,662)     |
| Deferred              | 8,702       | (13,455)     | (39,242)     |
|                       | 28,871      | (10,695)     | (49,904)     |
|                       | \$ 198,583  | \$ (106,819) | \$ (401,343) |

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

| <i>(In thousands)</i>   | 2011       | 2010         | 2009         |
|---|------------|--------------|--------------|
| Income tax expense (benefit) at statutory federal rate                        | \$ 182,446 | \$ (141,109) | \$ (568,057) |
| State income taxes, net   | 18,766     | (6,952)      | (32,437)     |
| Nondeductible goodwill impairment   |            |              | 220,852      |
| Other nondeductible expenses  | 24,361     | 52,004       | 4,380        |
| Nontaxable income   | (19,691)   | (21,662)     | (24,863)     |
| Surrender of bank-owned life insurance  |            | 28,923       | 2,772        |
| Tax credits and other taxes   | (5,977)    | (9,007)      | (7,946)      |
| Valuation allowance for federal tax purposes on acquired net operating losses |            |              | 3,899        |
| Other   | (1,322)    | (9,016)      | 57           |
|   | \$ 198,583 | \$ (106,819) | \$ (401,343) |

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

| <i>(In thousands)</i>                                      | 2011       | 2010       |
|--|------------|------------|
| Gross deferred tax assets:                                 |            |            |
| Book loan loss deduction in excess of tax                  | \$ 425,281 | \$ 563,880 |
| Pension and postretirement                                 | 46,958     | 25,426     |
| Deferred compensation                                      | 58,505     | 60,854     |
| Other real estate owned                                    | 27,796     | 35,237     |
| Accrued severance costs                                    | 2,577      | 2,617      |
| Security investments and derivative fair value adjustments | 283,410    | 247,952    |
| Net operating losses, capital losses and tax credits       | 57,914     | 56,381     |
| Other  | 56,789     | 50,700     |
|  | 959,230    | 1,043,047  |
| Valuation allowance  | (4,261)    | (4,261)    |
| Total deferred tax assets                                  | 954,969    | 1,038,786  |
| Gross deferred tax liabilities:                            |            |            |
| Core deposits and purchase accounting                      | (28,356)   | (33,139)   |
| Premises and equipment, due to differences in depreciation | (19,810)   | (9,363)    |
| FHLB stock dividends                                       | (14,861)   | (17,746)   |
| Leasing operations   | (120,990)  | (110,054)  |
| Prepaid expenses   | (6,285)    | (6,462)    |
| Prepaid pension reserves                                   | (20,441)   | (20,869)   |
| Subordinated debt modification                             | (208,206)  | (247,272)  |
| Deferred loan fees   | (20,856)   | (19,864)   |
| FDIC-supported transactions                                | (3,469)    | (30,669)   |
| Other  | (2,561)    | (3,285)    |
| Total deferred tax liabilities                             | (445,835)  | (498,723)  |



|                         |            |            |
|-------------------------|------------|------------|
| Net deferred tax assets | \$ 509,134 | \$ 540,063 |
|-------------------------|------------|------------|

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The amount of net deferred tax assets is included with other assets in the balance sheet. The \$4.3 million valuation allowance at December 31, 2011 and 2010 was for certain acquired net operating loss carryforwards included in our acquisition of the remaining interests in a less significant subsidiary. At December 31, 2011, excluding the \$4.3 million, the tax effect of remaining net operating loss and tax credit carryforwards was approximately \$47.3 million expiring through 2030. In addition, the Company generated a capital loss during the year that will be carried forward to future taxable years. The tax effect of this capital loss was approximately \$6.3 million expiring through 2016.

We evaluate the net deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. In conducting this evaluation, we have considered all available evidence, both positive and negative, based on the more-likely-than-not criteria that such assets will be realized. This evaluation includes, but is not limited to: (1) available carryback potential to prior tax years; (2) potential future reversals of existing deferred tax liabilities, which historically have a reversal pattern generally consistent with deferred tax assets; (3) potential tax planning strategies; and (4) future projected taxable income. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of December 31, 2011.

We have an agreement that awarded us a \$100 million allocation of tax credit authority under the Community Development Financial Institutions Fund established by the U.S. Government. We have invested the \$100 million in a wholly-owned subsidiary which makes qualifying loans and investments. In return, we receive federal income tax credits that are recognized over seven years, including the year in which the funds were invested in the subsidiary. We recognize these tax credits for financial reporting purposes in the same year the tax benefit is recognized in our tax return. The resulting tax credits which reduced income tax expense were approximately \$2.4 million in 2011, \$6.0 million in 2010, and \$5.9 million in 2009.

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

| <i>(In thousands)</i>                  | 2011      | 2010      | 2009      |
|--|-----------|-----------|-----------|
| Balance at beginning of year           | \$ 15,366 | \$ 16,677 | \$ 17,077 |
| Tax positions related to current year: |           |           |           |
| Additions                              |           |           |           |
| Reductions                             |           |           |           |
| Tax positions related to prior years:  |           |           |           |
| Additions                              |           |           |           |
| Reductions                             |           |           |           |
| Settlements with taxing authorities    |           |           |           |
| Lapses in statutes of limitations      | (1,644)   | (1,311)   | (400)     |
| Balance at end of year                 | \$ 13,722 | \$ 15,366 | \$ 16,677 |

At December 31, 2011 and 2010, the liability for unrecognized tax benefits included approximately \$8.9 million and \$10.0 million, respectively, (net of the federal tax benefit on state issues) that, if recognized, would affect the effective tax rate. Gross unrecognized tax benefits that may decrease during the 12 months subsequent to December 31, 2011 could range up to approximately \$11.3 million as a result of the resolution of various state tax positions.

We reduced this liability, net of any federal and/or state tax benefits, and reduced income tax expense by a net amount including interest of \$1.2 million in 2011, \$949 thousand in 2010, and \$366 thousand in 2009 due to lapses in statutes of limitations.

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Interest and penalties related to unrecognized tax benefits are included in income tax expense in the statement of income. At December 31, 2011 and 2010, accrued interest and penalties recognized in the balance sheet, net of any federal and/or state tax benefits, were approximately \$2.5 million and \$2.7 million, respectively.

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

**16. NET EARNINGS PER COMMON SHARE**

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

| <i>(In thousands, except per share amounts)</i>                   | Year Ended December 31, |              |                |
|---|-------------------------|--------------|----------------|
|   | 2011                    | 2010         | 2009           |
| <b>Basic:</b>   |                         |              |                |
| Net income (loss) applicable to controlling interest              | \$ 323,804              | \$ (292,728) | \$ (1,216,111) |
| Less common and preferred dividends                               | 177,775                 | 126,427      | 30,198         |
| Undistributed earnings (loss)                                     | 146,029                 | (419,155)    | (1,246,309)    |
| Less undistributed earnings applicable to nonvested shares        | 1,300                   |              |                |
| Undistributed earnings (loss) applicable to common shares         | 144,729                 | (419,155)    | (1,246,309)    |
| Distributed earnings applicable to common shares                  | 7,292                   | 6,565        | 11,773         |
| Total earnings (loss) applicable to common shares                 | \$ 152,021              | \$ (412,590) | \$ (1,234,536) |
| Weighted average common shares outstanding                        | 182,393                 | 166,054      | 124,443        |
| Net earnings (loss) per common share                              | \$ 0.83                 | \$ (2.48)    | \$ (9.92)      |
| <b>Diluted:</b>   |                         |              |                |
| Total earnings (loss) applicable to common shares                 | \$ 152,021              | \$ (412,590) | \$ (1,234,536) |
| Additional undistributed earnings allocated to incremental shares | 41                      |              |                |
| Diluted earnings (loss) applicable to common shares               | \$ 152,062              | \$ (412,590) | \$ (1,234,536) |
| Weighted average common shares outstanding                        | 182,393                 | 166,054      | 124,443        |
| Additional weighted average dilutive shares                       | 212                     |              |                |
| Weighted average diluted common shares outstanding                | 182,605                 | 166,054      | 124,443        |
| Net earnings (loss) per common share                              | \$ 0.83                 | \$ (2.48)    | \$ (9.92)      |

**17. SHARE-BASED COMPENSATION**

We have a stock option and incentive plan which allows us to grant stock options, restricted stock, restricted stock units, and other awards to employees and nonemployee directors. Total shares authorized under the plan were 13,200,000 at December 31, 2011, of which 2,167,551 were available for future grants. Our agreement with the U.S. Treasury under the TARP Capital Purchase Program includes conditions related to the issuance of share-based awards. See further discussion in Note 14.

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



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

| <i>(In thousands)</i>           | 2011      | 2010      | 2009      |
|---------------------------------|-----------|-----------|-----------|
| Compensation expense            | \$ 29,019 | \$ 26,834 | \$ 29,789 |
| Reduction of income tax expense | 9,768     | 9,315     | 10,433    |

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

We classify all share-based awards as equity instruments. However, we elected to settle the 2011 salary stock units in cash and have accordingly classified them as liabilities. Substantially all awards of stock options, restricted stock, and restricted stock units have graded vesting, which is recognized on a straight-line basis over the vesting period.

As of December 31, 2011, compensation expense not yet recognized for nonvested share-based awards was approximately \$26.9 million, which is expected to be recognized over a weighted average period of 1.1 years.

The tax shortfall recognized from the exercise of stock options and the vesting of restricted stock was approximately \$2.8 million in 2011, \$8.4 million in 2010, and \$6.1 million in 2009. These amounts are included in the net activity under employee plans and related tax benefits in the statement of changes in shareholders' equity.

**Stock Options**

Stock options granted to employees generally vest at the rate of one third each year and expire seven years after the date of grant. Stock options granted to nonemployee directors vest in increments from six months to three and a half years and expire ten years after the date of grant. Beginning in 2009, restricted stock was issued to nonemployee directors in place of stock options.

For all stock options granted in 2011, 2010 and 2009, we used the Black-Scholes option pricing model to estimate the fair values of stock options in determining compensation expense. The following summarizes the weighted average of fair value and the significant assumptions used in applying the Black-Scholes model for options granted.

|  | 2011    | 2010    | 2009    |
|--|---------|---------|---------|
| Weighted average of fair value for options granted | \$ 5.78 | \$ 6.59 | \$ 4.09 |
| Weighted average assumptions used:                 |         |         |         |
| Expected dividend yield                            | 1.0%    | 1.0%    | 1.0%    |
| Expected volatility                                | 30.0%   | 33.0%   | 33.0%   |
| Risk-free interest rate                            | 1.46%   | 1.89%   | 2.24%   |
| Expected life (in years)                           | 4.5     | 4.5     | 4.5     |

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

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The following summarizes our stock option activity for the three years ended December 31, 2011.

|  | Number of<br>shares | Weighted<br>average<br>exercise<br>price |
|--|---------------------|--|
| Balance at December 31, 2008                 | 7,674,598           | \$ 57.53                                 |
| Granted                                      | 714,085             | 14.64                                    |
| Exercised                                    | (316)               | 5.82                                     |
| Expired                                      | (599,405)           | 56.35                                    |
| Forfeited                                    | (59,932)            | 62.99                                    |
| Balance at December 31, 2009                 | 7,729,030           | 53.61                                    |
| Granted                                      | 846,013             | 23.90                                    |
| Exercised                                    | (32,645)            | 13.18                                    |
| Voluntarily surrendered                      | (1,051,174)         | 78.60                                    |
| Expired                                      | (841,529)           | 48.73                                    |
| Forfeited                                    | (280,456)           | 31.45                                    |
| Balance at December 31, 2010                 | 6,369,239           | 47.37                                    |
| Granted                                      | 800,057             | 23.46                                    |
| Exercised                                    | (46,749)            | 13.60                                    |
| Expired                                      | (1,080,867)         | 57.27                                    |
| Forfeited                                    | (107,810)           | 22.74                                    |
| Balance at December 31, 2011                 | 5,933,870           | 43.06                                    |
| Outstanding stock options exercisable as of: |                     |  |
| December 31, 2011                            | 4,211,216           | \$ 51.26                                 |
| December 31, 2010                            | 4,230,690           | 57.21                                    |
| December 31, 2009                            | 4,911,239           | 62.72                                    |

During 2010, certain option holders voluntarily surrendered stock options that were fully vested. All of the associated compensation expense had been previously recognized. These options were granted between May 2005 and September 2007, with exercise prices between \$70.79 and \$83.25 and expiration dates between May 2012 and September 2014. No replacement options or other replacement equity-based compensation was granted to these option holders.

We issue new authorized shares for the exercise of stock options. The total intrinsic value of stock options exercised was approximately \$0.4 million in 2011, \$0.3 million in 2010, and \$3 thousand in 2009. Cash received from the exercise of stock options was \$0.6 million in 2011, \$0.4 million in 2010, and \$2 thousand in 2009.

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Additional selected information on stock options at December 31, 2011 follows:

| Exercise price range | Outstanding stock options |                                 |   | Exercisable stock options |                                 |
|----------------------|---------------------------|---------------------------------|---|---------------------------|---------------------------------|
|                      | Number of shares          | Weighted average exercise price | Weighted average remaining contractual life (years) | Number of shares          | Weighted average exercise price |
| \$0.32 to \$19.99    | 604,850                   | \$ 14.27                        | 4.5 <sup>1</sup>                                    | 370,743                   | \$ 14.00                        |
| \$20.00 to \$24.99   | 1,556,323                 | 23.83                           | 5.9   | 257,193                   | 23.95                           |
| \$25.00 to \$29.99   | 640,375                   | 27.96                           | 3.6   | 450,958                   | 27.96                           |
| \$30.00 to \$39.99   | 10,000                    | 32.45                           | 3.5   | 10,000                    | 32.45                           |
| \$40.00 to \$44.99   | 34,931                    | 42.78                           | 1.6   | 34,931                    | 42.78                           |
| \$45.00 to \$49.99   | 1,520,224                 | 47.39                           | 3.2   | 1,520,224                 | 47.39                           |
| \$50.00 to \$59.99   | 212,373                   | 56.52                           | 2.3   | 212,373                   | 56.52                           |
| \$60.00 to \$79.99   | 459,232                   | 70.50                           | 1.1   | 459,232                   | 70.50                           |
| \$80.00 to \$81.99   | 419,699                   | 81.11                           | 1.6   | 419,699                   | 81.11                           |
| \$82.00 to \$83.38   | 475,863                   | 83.24                           | 2.5   | 475,863                   | 83.24                           |
|                      | 5,933,870                 | 43.06                           | 3.7 <sup>1</sup>                                    | 4,211,216                 | 51.26                           |

<sup>1</sup> The weighted average remaining contractual life excludes 21,252 stock options without a fixed expiration date that were acquired with the Amegy acquisition by the Company in 2005. They expire between the date of termination and one year from the date of termination, depending upon certain circumstances.

The aggregate intrinsic value of outstanding stock options at December 31, 2011 and 2010 was \$1.2 million and \$6.9 million, respectively, while the aggregate intrinsic value of exercisable options was \$0.8 million and \$2.3 million for the same respective periods. For exercisable options, the weighted average remaining contractual life was 2.9 years at both December 31, 2011 and 2010, excluding the stock options previously noted without a fixed expiration date.

The previous schedules do not include stock options for employees of our TCBO subsidiary to purchase common stock of TCBO. At December 31, 2011, there were options to purchase 50,050 TCBO shares at exercise prices from \$17.85 to \$20.58. At December 31, 2011, there were 1,038,000 issued and outstanding shares of TCBO common stock.

**Restricted Stock**

Restricted stock issued vests generally over four years. Nonemployee directors were granted restricted stock of 26,433 shares in 2011, 27,216 shares in 2010, and 43,002 in 2009, which vested over six months. During the vesting period, the holder has full voting rights and receives dividend equivalents. Compensation expense is determined based on the number of restricted shares issued and the market price of our common stock at the issue date.

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The following summarizes our restricted stock activity for the three years ended December 31, 2011.

|  | Number of<br>shares | Weighted<br>average<br>issue<br>price |
|--|---------------------|---------------------------------------|
| Nonvested restricted shares at December 31, 2008 | 1,249,281           | \$ 49.61                              |
| Issued   | 698,311             | 14.64                                 |
| Vested   | (349,186)           | 56.13                                 |
| Forfeited  | (73,756)            | 42.64                                 |
| Nonvested restricted shares at December 31, 2009 | 1,524,650           | 32.44                                 |
| Issued   | 644,504             | 23.85                                 |
| Vested   | (428,593)           | 43.88                                 |
| Forfeited  | (128,918)           | 28.19                                 |
| Nonvested restricted shares at December 31, 2010 | 1,611,643           | 26.30                                 |
| Issued   | 616,234             | 23.43                                 |
| Vested   | (569,794)           | 30.43                                 |
| Forfeited  | (258,229)           | 24.23                                 |
| Nonvested restricted shares at December 31, 2011 | 1,399,854           | 23.74                                 |

The total fair value of restricted stock vested during the year was \$12.9 million in 2011, \$10.4 million in 2010, and \$4.7 million in 2009.

**Restricted Stock Units and Salary Stock Units**

During 2011, we issued 146,165 restricted stock units ( RSUs ) with a weighted average issue price of \$23.69. Each RSU represents a right to one share of our common stock. These RSUs vest over four years and the holder does not have voting rights or receive dividends. Compensation expense is determined based on the number of RSUs granted and the market price of our common stock at the grant date. At December 31, 2011, all RSUs granted were outstanding.

We also granted salary stock units ( SSUs ) of 297,620 in 2011 and 109,748 in 2010, which vested and were expensed immediately upon grant. Each SSU represents a right to one share of our common stock. Compensation expense is determined based on the number of SSUs granted and the market price of our common stock at the grant date. The total fair value of SSUs granted was \$4.8 million in 2011 and \$2.3 million in 2010.

The 2011 SSUs are classified as liabilities and are settled in cash. The amount of cash is determined by our closing common stock price on the date of settlement and the number of SSUs being settled. In January 2012, 172,550 of the 2011 SSUs were settled with a cash payment of \$3.2 million. The balance of 125,070 SSUs will be settled in December 2012.

The 2010 SSUs are classified as equity and are settled in our common stock. In January 2011, 60,372 of these SSUs were settled and the remaining balance of 49,376 SSUs was settled in January 2012.

**18. COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES, AND RELATED PARTIES****Commitments and Guarantees**

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





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

| <i>(In thousands)</i>        | December 31,  |               |
|------------------------------|---------------|---------------|
|                              | 2011          | 2010          |
| Commitments to extend credit | \$ 12,541,278 | \$ 11,509,212 |
| Standby letters of credit:   |               |               |
| Financial                    | 914,986       | 921,257       |
| Performance                  | 165,298       | 185,854       |
| Commercial letters of credit | 134,462       | 46,627        |

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

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2011, \$4.4 billion of commitments expire in 2012. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of \$778 million expiring in 2012 and \$302 million expiring thereafter through 2027. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral supporting those commitments for which collateral is deemed necessary. At December 31, 2011, the Company had recorded approximately \$12.9 million as a liability for these guarantees, which consisted of \$7.7 million attributable to the reserve for unfunded lending commitments and \$5.2 million of deferred commitment fees.

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

At December 31, 2011, we had commitments to make venture and other noninterest-bearing investments of \$43.8 million. These obligations have no stated maturity.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the actual level of risk. As of December 31, 2011 and 2010, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were \$4.5 billion and \$3.9 billion, respectively.

At December 31, 2011, we were required to maintain cash balances of \$27.3 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with Federal Reserve Board regulations.

As of December 31, 2011, the Parent has guaranteed approximately \$300 million of debt of affiliated trusts issuing trust preferred securities, as discussed in Note 13.

**Table of Contents****Leases**

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2012 to 2052. Premises leased under capital leases at December 31, 2011 were \$1.7 million and accumulated amortization was \$1.1 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2011 are as follows:

| <i>(In thousands)</i> |                   |
|-----------------------|-------------------|
| 2012                  | \$ 46,423         |
| 2013                  | 46,097            |
| 2014                  | 40,829            |
| 2015                  | 37,147            |
| 2016                  | 34,934            |
| Thereafter            | 154,680           |
|                       | <b>\$ 360,110</b> |

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: \$1.9 million in 2012, \$2.1 million in 2013, \$1.5 million in 2014, \$1.2 million in 2015, \$1.3 million in 2016, and \$2.7 million thereafter. Aggregate rental expense on operating leases amounted to \$57.9 million in 2011, \$59.7 million in 2010, and \$59.2 million in 2009.

**Legal Matters**

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

Current putative class actions include the following:

three complaints relating to allegedly wrongful acts in our processing of overdraft fees on debit card transactions, Barlow, et al. v. Zions First National Bank and Zions Bancorporation, pending in the United States District Court for the District of Utah,

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

Sarr, et al. v. California Bank & Trust, pending in the Superior Court for the State of California at San Diego;

a complaint relating to our banking relationships with customers that allegedly engaged in wrongful telemarketing practices, Reyes v. Zions First National Bank, et al., pending in the United States District Court for the Eastern District of Pennsylvania; and

a complaint relating to allegedly wrongful practices relating to our recording of customer and employee phone calls, Hernandez v. California Bank & Trust and Zions Bancorporation, et al., pending in the Superior Court for the State of California at Los Angeles.

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Each of these class-action matters is in a relatively early stage, with discovery not yet having been commenced.

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

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to estimate such a range only for a limited number of matters. We currently estimate the aggregate range of reasonably possible losses for those matters to be from \$3 million to \$75 million, including the accrued liability, if any, related to those matters. This estimated range of reasonably possible losses is based on information currently available as of December 31, 2011. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

Based on our current knowledge, we believe that our current estimated liability for litigation and other legal actions and claims, reflected in our accruals and determined in accordance with ASC 450-20, *Loss Contingencies*, is adequate and that liabilities in excess of the amounts currently accrued, if any, arising from litigation and other legal actions and claims for which an estimate as previously described is possible, will not have a material impact on our financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in these matters, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our results or cash flows for any given reporting period.

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies in which the normal adjudicative process is not at play. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

### ***Related Party Transactions***

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

## **19. REGULATORY MATTERS**

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary

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actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following schedule) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2011, we exceeded all capital adequacy requirements to which we are subject.

As discussed further in Note 14, the preferred shares and warrant to purchase common stock issued to the U.S. Treasury under the TARP Capital Purchase Program qualify for Tier 1 capital.

As of December 31, 2011, all capital ratios of the Company and each of its subsidiary banks exceeded the well capitalized levels under the regulatory framework for prompt corrective action. In response to the recent severe economic crisis, the determination of appropriate capital levels, particularly for the Company and other systemically important financial institutions as determined pursuant to the Dodd-Frank Act, is being driven increasingly by the results of comprehensive stress tests performed by each financial institution and its regulators. Such tests seek to comprehensively measure all risks to which the institution is exposed, including credit, liquidity, market, operating and other risks, the losses that could result from those risk exposures under adverse scenarios, and the institution's resulting capital levels. The results of these institution-specific tests as well as the Basel III capital framework being implemented are driving the Company and most other systemically important financial institutions to hold capital considerably in excess of well capitalized regulatory standards, and in excess of historical levels. Regulators have indicated that these stress test results will also be an important factor in determining the amounts and timing of capital issuances, dividends and distributions, and stock and securities repurchases, as well as repayment of preferred stock issued under the TARP Capital Purchase Program.

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

| <i>(Dollar amounts in thousands)</i>     | Actual<br>Amount | Ratio  | To be well capitalized<br>Amount | Ratio           |
|--|------------------|--------|----------------------------------|-----------------|
| <b>As of December 31, 2011:</b>          |                  |        |                                  |                 |
| Total capital (to risk-weighted assets)  |                  |        |                                  |                 |
| The Company                              | \$ 7,780,107     | 18.06% | \$ 4,307,688                     | 10.00%          |
| Zions First National Bank                | 2,131,963        | 14.61  | 1,459,248                        | 10.00           |
| California Bank & Trust                  | 1,266,587        | 15.08  | 840,036                          | 10.00           |
| Amegy Bank N.A.                          | 1,720,124        | 17.26  | 996,468                          | 10.00           |
| Tier 1 capital (to risk-weighted assets) |                  |        |                                  |                 |
| The Company                              | 6,946,290        | 16.13  | 2,584,613                        | 6.00            |
| Zions First National Bank                | 1,951,598        | 13.37  | 875,549                          | 6.00            |
| California Bank & Trust                  | 1,160,310        | 13.81  | 504,021                          | 6.00            |
| Amegy Bank N.A.                          | 1,593,667        | 15.99  | 597,881                          | 6.00            |
| Tier 1 capital (to average assets)       |                  |        |                                  |                 |
| The Company                              | 6,946,290        | 13.40  | na                               | na <sup>1</sup> |
| Zions First National Bank                | 1,951,598        | 11.59  | 841,812                          | 5.00            |
| California Bank & Trust                  | 1,160,310        | 10.96  | 529,209                          | 5.00            |
| Amegy Bank N.A.                          | 1,593,667        | 14.41  | 552,911                          | 5.00            |
| <b>As of December 31, 2010:</b>          |                  |        |                                  |                 |
| Total capital (to risk-weighted assets)  |                  |        |                                  |                 |
| The Company                              | \$ 7,363,984     | 17.15% | \$ 4,295,020                     | 10.00%          |
| Zions First National Bank                | 1,962,050        | 12.88  | 1,523,237                        | 10.00           |
| California Bank & Trust                  | 1,171,253        | 13.68  | 856,252                          | 10.00           |
| Amegy Bank N.A.                          | 1,565,707        | 16.89  | 926,936                          | 10.00           |
| Tier 1 capital (to risk-weighted assets) |                  |        |                                  |                 |
| The Company                              | 6,349,789        | 14.78  | 2,577,012                        | 6.00            |
| Zions First National Bank                | 1,775,857        | 11.66  | 913,942                          | 6.00            |
| California Bank & Trust                  | 1,062,085        | 12.40  | 513,751                          | 6.00            |
| Amegy Bank N.A.                          | 1,446,462        | 15.60  | 556,161                          | 6.00            |
| Tier 1 capital (to average assets)       |                  |        |                                  |                 |
| The Company                              | 6,349,789        | 12.56  | na                               | na <sup>1</sup> |
| Zions First National Bank                | 1,775,857        | 10.43  | 851,233                          | 5.00            |
| California Bank & Trust                  | 1,062,085        | 9.94   | 534,114                          | 5.00            |
| Amegy Bank N.A.                          | 1,446,462        | 13.84  | 522,708                          | 5.00            |

<sup>1</sup> There is no Tier 1 leverage ratio component in the definition of a well capitalized bank holding company.

**20. RETIREMENT PLANS*****Defined Benefit Plans***

**Pension** This qualified noncontributory defined benefit plan has been frozen to new participation. No service-related benefits accrue for existing participants except for those with certain grandfathering provisions. Benefits vest under the plan upon completion of five years of vesting service. Plan assets consist principally of corporate equity securities, mutual fund investments, and cash investments. Plan benefits are paid as a lump-sum cash value or an annuity at retirement age. Contributions to the plan are based on actuarial recommendation and pension regulations. The funded status of the plan declined during 2011 due to a decrease in the discount rate used to estimate the projected benefit obligation at year-end and to decreases in the value of plan assets.

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



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**Postretirement** This unfunded defined benefit health care plan provides postretirement medical benefits to certain full-time employees who met minimum age and service requirements. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organizations options. Our contribution towards the retiree medical premium has been permanently frozen. Retirees pay the difference between the full premium rates and our capped contribution.

Because our contribution rate is capped, there is no effect on the postretirement plan from assumed increases or decreases in health care cost trends. Each year, Company contributions to the plan are made in amounts sufficient to meet benefit payments to plan participants.

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

| <i>(In thousands)</i>   | <b>Pension</b>     |                   | <b>Supplemental Retirement</b> |                    | <b>Postretirement</b> |                   |
|---|--------------------|-------------------|--------------------------------|--------------------|-----------------------|-------------------|
|   | <b>2011</b>        | <b>2010</b>       | <b>2011</b>                    | <b>2010</b>        | <b>2011</b>           | <b>2010</b>       |
| <b>Change in benefit obligation:</b>                              |                    |                   |                                |                    |                       |                   |
| Benefit obligation at beginning of year                           | \$ 165,736         | \$ 160,039        | \$ 11,230                      | \$ 11,453          | \$ 1,095              | \$ 1,140          |
| Service cost  | 100                | 180               |                                |                    | 32                    | 35                |
| Interest cost   | 8,336              | 8,597             | 558                            | 613                | 54                    | 61                |
| Actuarial (gain) loss   | 18,773             | 5,470             | 584                            | 648                | 65                    | (31)              |
| Settlements   |                    |                   |                                | (286)              |                       |                   |
| Benefits paid   | (8,804)            | (8,550)           | (1,015)                        | (1,198)            | (97)                  | (110)             |
| Benefit obligation at end of year                                 | 184,141            | 165,736           | 11,357                         | 11,230             | 1,149                 | 1,095             |
| <b>Change in fair value of plan assets:</b>                       |                    |                   |                                |                    |                       |                   |
| Fair value of plan assets at beginning of year                    | 160,756            | 98,739            |                                |                    |                       |                   |
| Actual return on plan assets                                      | (4,508)            | 19,773            |                                |                    |                       |                   |
| Employer contributions  |                    | 50,794            | 1,015                          | 1,198              | 97                    | 110               |
| Benefits paid   | (8,804)            | (8,550)           | (1,015)                        | (1,198)            | (97)                  | (110)             |
| Fair value of plan assets at end of year                          | 147,444            | 160,756           |                                |                    |                       |                   |
| <b>Funded status</b>  | <b>\$ (36,697)</b> | <b>\$ (4,980)</b> | <b>\$ (11,357)</b>             | <b>\$ (11,230)</b> | <b>\$ (1,149)</b>     | <b>\$ (1,095)</b> |
| <b>Amounts recognized in balance sheet:</b>                       |                    |                   |                                |                    |                       |                   |
| Liability for pension/postretirement benefits                     | \$ (36,697)        | \$ (4,980)        | \$ (11,357)                    | \$ (11,230)        | \$ (1,149)            | \$ (1,095)        |
| Accumulated other comprehensive income (loss)                     | (88,778)           | (58,344)          | (2,117)                        | (1,641)            | 830                   | 1,264             |
| <b>Accumulated other comprehensive income (loss) consists of:</b> |                    |                   |                                |                    |                       |                   |
| Net gain (loss)   | \$ (88,778)        | \$ (58,344)       | \$ (1,817)                     | \$ (1,217)         | \$ 436                | \$ 626            |
| Prior service credit (cost)                                       |                    |                   | (300)                          | (424)              | 394                   | 638               |
|   | \$ (88,778)        | \$ (58,344)       | \$ (2,117)                     | \$ (1,641)         | \$ 830                | \$ 1,264          |

The liability for pension/postretirement benefits is included in other liabilities in the balance sheet. The accumulated benefit obligation for the pension plan was \$184.1 million and \$165.7 million at December 31, 2011 and 2010, respectively.



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The amounts in accumulated other comprehensive income (loss) at December 31, 2011 expected to be recognized as an expense component of net periodic benefit cost in 2012 for the plans are estimated as follows:

| <i>(In thousands)</i>       | Pension    | Supplemental Retirement | Postretirement |
|-----------------------------|------------|-------------------------|----------------|
| Net gain (loss)             | \$ (9,382) | \$ 112                  | \$ 87          |
| Prior service credit (cost) |            | (125)                   | 244            |
|                             | \$ (9,382) | \$ (13)                 | \$ 331         |

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

| <i>(In thousands)</i>                       | Pension  |          |          | Supplemental Retirement |        |        | Postretirement |          |          |
|---|----------|----------|----------|-------------------------|--------|--------|----------------|----------|----------|
|   | 2011     | 2010     | 2009     | 2011                    | 2010   | 2009   | 2011           | 2010     | 2009     |
| Service cost                                | \$ 100   | \$ 180   | \$ 229   | \$                      | \$     | \$     | \$ 32          | \$ 35    | \$ 34    |
| Interest cost                               | 8,336    | 8,597    | 8,889    | 558                     | 613    | 661    | 54             | 61       | 63       |
| Expected return on plan assets              | (12,443) | (8,211)  | (7,074)  |                         |        |        |                |          |          |
| Amortization of net actuarial (gain) loss   | 5,290    | 5,735    | 6,635    | (16)                    | (19)   | (29)   | (125)          | (149)    | (196)    |
| Amortization of prior service (credit) cost |          |          |          | 124                     | 124    | 124    | (244)          | (243)    | (243)    |
| Settlement loss                             |          |          |          |                         | 42     |        |                |          |          |
| Net periodic benefit cost (credit)          | \$ 1,283 | \$ 6,301 | \$ 8,679 | \$ 666                  | \$ 760 | \$ 756 | \$ (283)       | \$ (296) | \$ (342) |

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

|  | 2011  | 2010  | 2009  |
|--|-------|-------|-------|
| Used to determine benefit obligation at year-end:                            |       |       |       |
| Discount rate  | 4.25% | 5.20% | 5.60% |
| Rate of compensation increase  | 3.50  | 3.50  | 4.25  |
| Used to determine net periodic benefit cost for the years ended December 31: |       |       |       |
| Discount rate  | 5.20  | 5.60  | 6.00  |
| Expected long-term return on plan assets                                     | 8.00  | 8.00  | 8.30  |
| Rate of compensation increase  | 3.50  | 3.50  | 4.25  |

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

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Benefit payments to the plans participants, which reflect expected future service as appropriate, are estimated as follows for the years succeeding December 31, 2011.

| <i>(In thousands)</i> | <b>Pension</b> | <b>Supplemental Retirement</b> | <b>Postretirement</b> |
|-----------------------|----------------|--------------------------------|-----------------------|
| 2012                  | \$ 11,244      | \$ 2,126                       | \$ 103                |
| 2013                  | 10,224         | 972                            | 103                   |
| 2014                  | 9,711          | 861                            | 105                   |
| 2015                  | 9,655          | 771                            | 103                   |
| 2016                  | 9,550          | 1,055                          | 104                   |
| Years 2017 - 2021     | 53,678         | 3,808                          | 469                   |

We are also obligated under other supplemental retirement plans for certain current and former employees. Our liability for these plans was \$6.2 million and \$5.4 million at December 31, 2011 and 2010, respectively.

For the pension plan, the investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under the Employee Retirement Income Security Act of 1974. The asset allocation strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. Target investment allocation percentages as of December 31, 2011 are 64.5% in equity, 30.5% in fixed income and cash, and 5.0% in real estate assets.

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

| <i>(In thousands)</i>                       | <b>December 31, 2011</b> |                |                |              |          | <b>December 31, 2010</b> |                |                |              |          |
|---|--------------------------|----------------|----------------|--------------|----------|--------------------------|----------------|----------------|--------------|----------|
|   | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> | <b>%</b> | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> | <b>%</b> |
| Company common stock                        | \$ 8,091                 |                |                | \$ 8,091     | 6        | \$ 5,268                 |                |                | \$ 5,268     | 3        |
| Mutual funds:                               |                          |                |                |              |          |                          |                |                |              |          |
| Equity                                      | 4,803                    |                |                | 4,803        | 3        | 4,348                    |                |                | 4,348        | 3        |
| Debt  | 5,899                    |                |                | 5,899        | 4        | 3,716                    |                |                | 3,716        | 2        |
| Insurance company pooled separate accounts: |                          |                |                |              |          |                          |                |                |              |          |
| Equity investments                          |                          | \$ 79,797      |                | 79,797       | 54       |                          | \$ 103,802     |                | 103,802      | 64       |
| Debt investments                            |                          | 25,979         |                | 25,979       | 18       |                          | 24,931         |                | 24,931       | 16       |
| Real estate                                 |                          | 6,250          |                | 6,250        | 4        |                          | 5,138          |                | 5,138        | 3        |
| Guaranteed deposit account                  |                          |                | \$ 12,476      | 12,476       | 8        |                          |                | \$ 10,918      | 10,918       | 7        |
| Limited partnerships                        |                          |                | 4,149          | 4,149        | 3        |                          |                | 2,635          | 2,635        | 2        |
|   | \$ 18,793                | \$ 112,026     | \$ 16,625      | \$ 147,444   | 100      | \$ 13,332                | \$ 133,871     | \$ 13,553      | \$ 160,756   | 100      |

Valuation methodologies used to measure pension plan investments at fair value are as follows:

**Company common stock** Shares of the Company's common stock are valued at the last reported sales price on the last business day of the plan year.

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

**Insurance company pooled separate accounts** Participation units in these accounts are valued at quoted redemption values on the last business day of the plan year.

**Guaranteed deposit account** This account is stated at book value as determined by the trustee, which approximates fair value. The account is credited with earnings from the underlying investments and charged for participants' withdrawals and administrative expenses.



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**Limited partnerships** These partnerships are stated at book value, which approximates fair value and is determined from the partnership's capital account balance for the plan's proportional interest. The capital account is credited with realized and unrealized earnings from the underlying investments and charged for operating expenses and distributions.

Shares of Company common stock were 438,617 and 217,398 at December 31, 2011 and 2010, respectively. Dividends received by the plan were approximately \$11 thousand in 2011 and \$12 thousand in 2010.

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

|   | Level 3 Instruments        |                      |                            |                      |
|---|----------------------------|----------------------|----------------------------|----------------------|
|   | Year Ended December 31,    |                      |                            |                      |
|   | 2011                       |                      | 2010                       |                      |
| (In thousands)  | Guaranteed deposit account | Limited partnerships | Guaranteed deposit account | Limited partnerships |
| Balance at beginning of year  | \$ 10,918                  | \$ 2,635             | \$ 7,595                   | \$ 1,499             |
| Net increases (decreases) included in plan statement of changes in net assets available for benefits: |                            |                      |                            |                      |
| Net appreciation (depreciation) in fair value of investments:   |                            |                      |                            |                      |
| Realized  |                            | 245                  |                            |                      |
| Unrealized  |                            | (161)                |                            | 311                  |
| Interest and dividends  | 635                        | 130                  | 463                        |                      |
| Purchases   | 923                        | 1,300                | 2,860                      | 825                  |
| Balance at end of year  | \$ 12,476                  | \$ 4,149             | \$ 10,918                  | \$ 2,635             |

**Defined Contribution Plan**

**Payshelter** This is a 401(k) and employee stock ownership plan under which employees select from several investment alternatives. Employees can contribute up to 80% of their earnings subject to the annual maximum allowed contribution. The Company matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Matching contributions are invested in the Company's common stock and amounted to \$21.0 million in 2011, \$19.3 million in 2010, and \$19.8 million in 2009.

The Payshelter plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 6% of eligible compensation based upon the Company's return on average common equity for the year. For 2011, the profit sharing expense was \$11.7 million computed at a contribution rate of 2.0%. For 2010 and 2009, no profit sharing expense was accrued. The profit sharing contribution is invested in the Company's common stock.

**21. FAIR VALUE****Fair Value Measurements**

ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, requires certain additional fair value disclosures under ASC 820 which began January 1, 2010. One of the new requirements did not become effective until January 1, 2011 and requires the gross, rather than net, basis for certain Level 3 rollforward information. The following information incorporates this new disclosure requirement.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This new accounting guidance under ASC 820 provides convergence to IFRS and amends fair value measurement and disclosure guidance. Among other things, new

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disclosures will be required for qualitative information and sensitivity analysis regarding Level 3 measurements. For public entities, the new guidance is effective for interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact this new guidance will have on the disclosures in the Company's financial statements.

Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities for the Company as follows:

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

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

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

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

*Utilization of Third Party Service Providers*

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

For AFS Level 2 securities, we use a third party pricing service to provide pricing, if available, for securities in the following reporting categories: U.S. Treasury, agencies and corporations (except Federal Agricultural Mortgage Corporation (FAMC) securities); municipal securities; trust preferred banks and insurance; and other (including ABS CDOs). At December 31, 2011, the fair value of AFS Level 2 securities for which we obtained pricing from the third party pricing service in these reporting categories amounted to approximately \$1.8 billion of the \$2.0 billion total of AFS Level 2 securities.

For AFS Level 3 securities, we use other third party service providers to provide pricing, if available, for securities in the following reporting categories: trust preferred banks and insurance, trust preferred real estate investment trusts, auction rate, and other (including ABS CDOs). At December 31, 2011, the fair value of AFS Level 3 securities for which we obtained pricing from these third party service providers in these reporting categories amounted to approximately \$152 million of the \$1.1 billion total of AFS Level 3 securities. In addition, the fair values for approximately \$910 million at December 31, 2011 of our AFS

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Level 3 securities were determined utilizing a licensed internal third party model. See trust preferred CDO internal model discussed subsequently.

Fair values of the remaining AFS Level 2 and Level 3 securities not valued by pricing from third party services or the licensed internal third party model were determined by us using market corroborative data. At December 31, 2011, the Level 2 securities consisted of approximately \$157 million of FAMC securities and \$6 million of mutual funds and stock, and the Level 3 securities consisted of \$17 million of municipal securities. Estimation of the fair values of the FAMC securities included the use of a standard mortgage pass-through calculator that incorporates discounted cash flows, while the municipal securities included the use of a standard form discounted cash flow model with certain inputs adjusted for market conditions.

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

For AFS Level 3 securities, we compare assumptions with other third party service providers and with our internal models and the information we have about market trends and trading data. This includes information regarding trading prices, implied discounts, outlier information, valuation assumptions, etc. We consider this information to determine whether the comparability of the security and the orderliness of the trades make such reported prices suitable to consider in our estimates of fair value.

Because of the timeliness of our involvement, the ongoing exchange of market information, and our agreement on input assumptions, we do not adjust prices from our third party service providers. The procedures discussed previously help ensure that the fair value information received was determined in accordance with ASC 820.

*Available-for-sale and trading*

AFS and trading investment securities are fair valued under Level 1 using quoted market prices when available for identical securities. When quoted prices are not available, fair values are determined under Level 2 using quoted prices for similar securities or valuations from third party service providers that incorporate observable market data as discussed previously. AFS securities include certain CDOs backed by trust preferred securities issued by banks and insurance companies and by REITs. These securities are fair valued primarily under Level 3.

*U.S. Treasury, agencies and corporations*

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

*Municipal securities*

Valuation inputs under Level 2 utilized by the third party service provider are discussed previously. Also included are reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue data. Municipal securities under Level 3 are fair valued similar to the auction rate securities discussed subsequently.

*Trust preferred collateralized debt obligations*

Substantially all of the CDO portfolio is fair valued under Level 3 using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models.

Trust preferred CDO internal model: A licensed third party cash flow model, which requires the Company to input its own default assumptions, is used to estimate fair values of bank and insurance trust preferred

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CDOs. We utilize a statistical regression of quarterly regulatory ratios that we have identified as predictive of future bank failures to create a credit-specific probability of default ( PD ) for each bank issuer. The inputs are updated quarterly to include the most recent available financial ratios and the regression formula is updated periodically to utilize those financial ratios that have best predicted bank failures during this credit cycle ( ratio-based approach ). Our ratio-based approach, while generally referencing trailing quarter regulatory data and ratios, seeks to incorporate the most recent available information.

Approximately 30% of the bank issuers are public companies included in a third party proprietary reduced form model. The model generates PDs using equity valuation-related inputs along with other macro and issuer-specific inputs.

Effective the third quarter of 2011, we set a floor PD of 30 basis points ( bps ) for years one through five for collateral where the higher of the one-year PDs from our ratio based approach and those from the third party proprietary reduced form model would have been lower. The short-term 30 bps PD is similar to the PD we would apply if we had direct lending exposures to CDO pool collateral. Effective the fourth quarter of 2011, we increased the floor PD of 30 bps each year from years two to five to 48 bps smoothing the step-up to reach a 65 bps minimum PD for year six. Effective the third and fourth quarters of 2011, we utilized a minimum PD for years six to maturity of 65 bps for bank collateral.

The resulting five-year PDs at December 31, 2011 ranged from 100% for the worst deferring banks to 2.18% for the best deferring banks. At September 30, 2011, prior to the adoption of a higher medium-term floor, the best deferring banks had five-year PDs of 1.49%. The weighted average assumed loss rate on deferring collateral was 26% at December 31, 2011, 27% at September 30, 2011, 35% at both June 30, 2011 and March 31, 2011, and 30% and 44% at December 31, 2010 and 2009, respectively. This loss rate is calculated as a percentage of the par amount of deferring collateral within a pool that is expected to default prior to the end of a five-year deferral period.

Prior to March 31, 2011, we had little evidence with which to assess the likelihood of previously deferring collateral returning to a current status prior to or at the end of the allowable five-year deferral period. Accordingly, our third party cash flow model assumed that the par amount of deferring collateral within each pool that did not default would be paid off at par after five years of deferral. No receipt of back interest or return to current status was assumed.

During the first quarter of 2011, we observed improvement in the performance of certain deferring collateral such that payment of interest resumed and interest payments that had been deferred for one or more quarters were paid in full. By the end of the first quarter of 2011, this pattern was seen in 7% of all surviving bank deferrals within our CDO pools, although none had reached the end of the allowable deferral period. Accordingly, expectations were revised regarding the extent of deferring collateral ultimately repaying contractually due interest. Effective March 31, 2011, the third party cash flow model was enhanced and incorporated these revised expectations.

The third party cash flow model now includes the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO s structure to generate cash flow projections for each tranche of the CDO.

We utilize a present value technique both to 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 due to credit, we follow ASC 310, which includes paragraphs 12-16 of the former FASB Statement 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.

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We discount this expected and already credit adjusted cash flow of each CDO tranche at a tranche-specific discount rate which reflects the risk that the actual cash flow may vary from the expected credit adjusted cash flow for that CDO tranche. This rate is consistent with market participants' assumptions, which include market illiquidity, and is applied to credit adjusted cash flows, as outlined in ASC 820. We follow the guidance on illiquid markets such that risk premiums should be reflective of an orderly transaction between market participants under current market conditions. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE<sup>®</sup> system (Trade Reporting and Compliance Engine<sup>®</sup>), we also seek information from market participants to obtain trade price information.

Prior to March 31, 2011, the discount rate assumption used for valuation purposes for each CDO tranche was derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers. The data set generally included one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest. The effective yields on the traded securities, including the deferring securities, were then used to determine a relationship between the effective yield and expected loss. Expected loss for this purpose is a measure of the variability of cash flows from the mean estimate of cash flow across all Monte Carlo simulations. This relationship was then considered along with other third party or market data in order to identify appropriate discount rates to be applied to the CDOs.

During each quarter of 2011, we observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data was generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our original A-rated tranches. In accordance with ASU 2010-06, this market price information was incorporated into our valuation process. The trading levels and effective yields of each tranche were included along with the trading yields of publicly traded trust preferred securities in order to identify the relationship between effective yield and expected loss as described above. This relationship was then used to identify appropriate discount rates to be applied to our CDO tranches.

Our December 31, 2011 valuations for bank and insurance tranches utilized a discount rate range of LIBOR + 3.75% for the highest quality/most over-collateralized insurance-only tranches and LIBOR + 39.8% for the lowest credit quality tranche, which included bank collateral, in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 6.23% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche. The range of the projected cumulative credit loss of the CDO pools varies extensively across pools, and at December 31, 2011, ranged between 11.0% and 66.2%.

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

At December 31, 2011, the discount rates utilized for fair value purposes for tranches that include bank collateral were:

- 1) LIBOR + 6.2% to 7.6% and averaged LIBOR + 6.5% for first priority original AAA-rated bonds;
- 2) LIBOR + 6.3% to 8.8% and averaged LIBOR + 6.8% for lower priority original AAA-rated bonds;
- 3) LIBOR + 6.7% to 31.7% and averaged LIBOR + 17.6% for original A-rated bonds; and
- 4) LIBOR + 14.5% to 39.8% and averaged LIBOR + 33.3% for original BBB-rated bonds.

Accordingly, the wide difference between the effective interest rate used in the determination of the credit component of OTTI and the discount rate on the CDOs used in the determination of fair value results in the unrealized losses. The discount rate used for fair value purposes significantly exceeds the effective interest





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rate for the CDOs. The differences average approximately 6% for the original AAA-rated CDO tranches, 16% for the original A-rated CDO tranches, and 31% for the original BBB-rated CDO tranches. With the exception of certain of the most senior CDOs, most of the principal payments are not expected prior to the final maturity date, which is generally 2029 or later. High market discount rates and the long maturities of the CDO tranches result in full principal repayment contributing little to CDO tranche fair values.

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

*Auction rate securities*

Valuation inputs under Level 3 utilized by the third party service providers are discussed previously. Also included in the market approach methodology are various market data inputs, including AAA municipal and corporate bond yield curves, credit ratings and leverage of each closed-end fund, and market yields for municipal bonds and commercial paper.

*Private equity investments*

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

Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

*Derivatives*

Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter ( OTC ). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are fair valued under Level 2 using third party service providers. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following schedules include the foreign currency exchange contracts that are not included in Note 8 in accordance with ASC 815. The amounts are also presented net of the cash collateral offsets discussed in Note 8. Also see the discussion in Note 8 for the determination of fair value of the total return swap.

**Table of Contents***Securities sold, not yet purchased*

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

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

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

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| <i>(In thousands)</i>                         | December 31, 2010 |              |              | Total        |
|---|-------------------|--------------|--------------|--------------|
|   | Level 1           | Level 2      | Level 3      |              |
| <b>ASSETS</b>                                 |                   |              |              |              |
| Investment securities:                        |                   |              |              |              |
| Available-for-sale:                           |                   |              |              |              |
| U.S. Treasury, agencies and corporations      | \$ 704,170        | \$ 1,654,127 |              | \$ 2,358,297 |
| Municipal securities                          |                   | 135,419      | \$ 22,289    | 157,708      |
| Asset-backed securities:                      |                   |              |              |              |
| Trust preferred banks and insurance           |                   | 1,703        | 1,241,694    | 1,243,397    |
| Trust preferred real estate investment trusts |                   |              | 19,165       | 19,165       |
| Auction rate                                  |                   |              | 109,609      | 109,609      |
| Other (including ABS CDOs)                    |                   | 11,076       | 69,630       | 80,706       |
| Mutual funds and other                        | 230,264           | 6,596        |              | 236,860      |
|   | 934,434           | 1,808,921    | 1,462,387    | 4,205,742    |
| Trading account                               |                   | 48,667       |              | 48,667       |
| Other noninterest-bearing investments:        |                   |              |              |              |
| Private equity                                |                   | 4,916        | 141,690      | 146,606      |
| Other assets:                                 |                   |              |              |              |
| Derivatives:                                  |                   |              |              |              |
| Interest rate related and other               |                   | 32,087       |              | 32,087       |
| Interest rate swaps for customers             |                   | 64,509       |              | 64,509       |
| Foreign currency exchange contracts           | 3,796             |              |              | 3,796        |
|   | 3,796             | 96,596       |              | 100,392      |
|   | \$ 938,230        | \$ 1,959,100 | \$ 1,604,077 | \$ 4,501,407 |
| <b>LIABILITIES</b>                            |                   |              |              |              |
| Securities sold, not yet purchased            | \$ 9,719          | \$ 32,829    |              | \$ 42,548    |
| Other liabilities:                            |                   |              |              |              |
| Derivatives:                                  |                   |              |              |              |
| Interest rate related and other               |                   | 2,577        |              | 2,577        |
| Interest rate swaps for customers             |                   | 68,141       |              | 68,141       |
| Foreign currency exchange contracts           | 3,385             |              |              | 3,385        |
| Total return swap                             |                   |              | \$ 15,925    | 15,925       |
|   | 3,385             | 70,718       | 15,925       | 90,028       |
| Other   |                   |              | 561          | 561          |
|   | \$ 13,104         | \$ 103,547   | \$ 16,486    | \$ 133,137   |

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Selected additional information regarding key model inputs and assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at December 31, 2011.

| <i>(Dollars in thousands)</i>   |                               | Fair value at<br>December 31,<br>2011 | Valuation<br>approach | Constant default rate<br>( CDR ) | Loss<br>severity | Prepayment rate                  |
|---------------------------------|-------------------------------|---------------------------------------|-----------------------|----------------------------------|------------------|----------------------------------|
| <b>Asset-backed securities:</b> |                               |                                       |                       |                                  |                  |                                  |
| Trust preferred                 | predominantly banks           | \$ 739,315                            | Income                | Pool specific <sup>3</sup>       | 100%             | Pool specific <sup>7</sup>       |
| Trust preferred                 | predominantly insurance       | 318,788                               | Income                | Pool specific <sup>4</sup>       | 100%             | 4.5% per year                    |
| Trust preferred                 | individual banks              | 15,577                                | Market                |                                  |                  |                                  |
|                                 |                               | 1,073,680 <sup>1</sup>                |                       |                                  |                  |                                  |
| Trust preferred                 | real estate investment trusts | 18,645                                | Income                | Pool specific <sup>5</sup>       | 60-100%          | 0% per year                      |
| Other (including ABS CDOs)      |                               | 56,910 <sup>2</sup>                   | Income                | Collateral specific <sup>6</sup> | 70-100%          | Collateral weighted average life |

<sup>1</sup> Includes \$929.4 million of AFS securities and \$144.3 million of HTM securities.

<sup>2</sup> Includes \$43.5 million of AFS securities and \$13.4 million of HTM securities.

<sup>3</sup> CDR ranges: yr 1 0.30% to 6.79%; yrs 2-5 0.44% to 0.64%; yrs 6 to maturity 0.58% to 0.68%.

<sup>4</sup> CDR ranges: yr 1 0.30% to 0.32%; yrs 2-5 0.47% to 0.48%; yrs 6 to maturity 0.50% to 0.54%.

<sup>5</sup> CDR ranges: yr 1 5.4% to 8.7%; yrs 2-3 3.9% to 5.7%; yrs 4-6 1.0%; yrs 6 to maturity 0.50%.

<sup>6</sup> These are predominantly ABS CDOs whose collateral is rated. CDR and loss severities are built up from the loan level and vary by collateral ratings, asset class, and vintage.

<sup>7</sup> Constant Prepayment Rate ( CPR ) ranges: 3.00% to 19.55% annually until 2016; 2016 to maturity 3.00% annually.

In the following discussion of our investment portfolio, we have included certain credit rating information because the information is one indication of the degree of credit risk to which we are exposed, and significant changes in ratings classifications for our investment portfolio could indicate an increased level of risk for us.

The following presents the percentage of total fair value of bank trust preferred CDOs by vintage year (origination date) according to original rating.

| <i>(Dollars in thousands)</i> | Fair value<br>at<br>December<br>31, 2011 | Percentage of total fair<br>value |       |      | Percentage<br>of<br>total fair value<br>by vintage |
|-------------------------------|--|-----------------------------------|-------|------|--|
|                               |  | AAA                               | A     | BBB  |  |
| Vintage year                  |  |                                   |       |      |  |
| 2001                          | \$ 67,252                                | 7.9%                              | 1.1%  | 0.1% | 9.1%   |
| 2002                          | 226,421                                  | 28.4                              | 2.3   | 0.0  | 30.7   |
| 2003                          | 252,677                                  | 25.6                              | 8.6   | 0.0  | 34.2   |
| 2004                          | 111,611                                  | 7.8                               | 7.3   | 0.0  | 15.1   |
| 2005                          | 9,909                                    | 1.0                               | 0.3   | 0.0  | 1.3  |
| 2006                          | 37,272                                   | 2.8                               | 2.0   | 0.2  | 5.0  |
| 2007                          | 34,173                                   | 4.6                               | 0.0   | 0.0  | 4.6  |
|                               | \$ 739,315                               | 78.1%                             | 21.6% | 0.3% | 100.0%   |

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The following reconciles the beginning and ending balances of assets and liabilities that are measured at fair value by class on a recurring basis using Level 3 inputs.

| <i>(In thousands)</i>  | Level 3 Instruments          |                                     |                      |              |                    |                            |             |                   |
|--|------------------------------|-------------------------------------|----------------------|--------------|--------------------|----------------------------|-------------|-------------------|
|  | Year Ended December 31, 2011 |                                     |                      |              |                    |                            |             |                   |
|  | Municipal securities         | Trust preferred banks and insurance | Trust preferred REIT | Auction rate | Other asset-backed | Private equity investments | Derivatives | Other liabilities |
| Balance at January 1, 2011   | \$ 22,289                    | \$ 1,241,694                        | \$ 19,165            | \$ 109,609   | \$ 69,630          | \$ 141,690                 | \$ (15,925) | \$ (561)          |
| Total net gains (losses) included in:  |                              |                                     |                      |              |                    |                            |             |                   |
| Statement of income:   |                              |                                     |                      |              |                    |                            |             |                   |
| Accretion of purchase discount included in interest on securities available-for-sale | 237                          | 5,057                               |                      | 11           | 196                |                            |             |                   |
| Dividends and other investment income  |                              |                                     |                      |              |                    | 9,630                      |             |                   |
| Equity securities losses, net  |                              |                                     |                      |              |                    | (3,085)                    |             |                   |
| Fixed income securities gains (losses), net  | 37                           | 19,972                              | (3,605)              | 1,941        | (6,918)            |                            |             |                   |
| Net impairment losses on investment securities                                       |                              | (27,480)                            | (1,285)              |              | (4,150)            |                            |             |                   |
| Other noninterest expense  |                              |                                     |                      |              |                    |                            |             | 475               |
| Other comprehensive income (loss)  | (1,762)                      | (161,012)                           | 4,908                | (381)        | 8,799              |                            |             |                   |
| Purchases  |                              |                                     |                      |              |                    | 21,172                     |             |                   |
| Sales  | (895)                        | (72,881)                            | (538)                | (135)        | (19,310)           | (22,397)                   |             |                   |
| Redemptions and paydowns   | (2,525)                      | (75,994)                            |                      | (41,025)     | (4,701)            | (18,662)                   | 10,503      |                   |
| Balance at December 31, 2011   | \$ 17,381                    | \$ 929,356                          | \$ 18,645            | \$ 70,020    | \$ 43,546          | \$ 128,348                 | \$ (5,422)  | \$ (86)           |

| <i>(In thousands)</i>                             | Level 3 Instruments          |                                     |                      |              |                    |                            |             |                   |
|---|------------------------------|-------------------------------------|----------------------|--------------|--------------------|----------------------------|-------------|-------------------|
|   | Year Ended December 31, 2010 |                                     |                      |              |                    |                            |             |                   |
|   | Municipal securities         | Trust preferred banks and insurance | Trust preferred REIT | Auction rate | Other asset-backed | Private equity investments | Derivatives | Other liabilities |
| Balance at January 1, 2010                        | \$ 64,314                    | \$ 1,359,444                        | \$ 24,018            | \$ 159,440   | \$ 62,430          | \$ 158,941                 | \$          | \$ (522)          |
| Total net gains (losses) included in:             |                              |                                     |                      |              |                    |                            |             |                   |
| Statement of income:                              |                              |                                     |                      |              |                    |                            |             |                   |
| Dividends and other investment income             |                              |                                     |                      |              |                    | 6,856                      |             |                   |
| Fair value and non hedge derivative loss          |                              |                                     |                      |              |                    |                            | (22,795)    |                   |
| Equity securities losses, net                     |                              |                                     |                      |              |                    | (6,388)                    |             |                   |
| Fixed income securities gains, net                | 4,157                        | 2,369                               |                      | 3,815        | 358                |                            |             |                   |
| Net impairment losses on investment securities    |                              | (68,002)                            | (10,628)             |              | (6,773)            |                            |             |                   |
| Other noninterest expense                         |                              |                                     |                      |              |                    |                            |             | (39)              |
| Other comprehensive income (loss)                 | (1,157)                      | (41,933)                            | 5,725                | (603)        | 27,501             |                            |             |                   |
| Purchases, sales, issuances, and settlements, net | (45,025)                     | (10,184)                            | 50                   | (53,043)     | (13,886)           | (17,719)                   | 6,870       |                   |
| Balance at December 31, 2010                      | \$ 22,289                    | \$ 1,241,694                        | \$ 19,165            | \$ 109,609   | \$ 69,630          | \$ 141,690                 | \$ (15,925) | \$ (561)          |

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

| <i>(In thousands)</i>                 | Year Ended<br>December 31, |          |
|---------------------------------------|----------------------------|----------|
|                                       | 2011                       | 2010     |
| Dividends and other investment income | \$ 8,391                   | \$ 8,215 |
| Equity securities losses, net         |                            | (1,366)  |
| Fixed income securities gains, net    | 11,427                     | 10,699   |

Included in the balance sheet amounts are the following amounts of assets that had fair value changes measured on a nonrecurring basis.

| <i>(In thousands)</i>            | Fair value at December 31, 2011 |           |          |           | Gains (losses) from<br>fair value<br>changes<br>Year Ended<br>December 31,<br>2011 |
|----------------------------------|---------------------------------|-----------|----------|-----------|--|
|                                  | Level 1                         | Level 2   | Level 3  | Total     |  |
| <b>ASSETS</b>                    |                                 |           |          |           |  |
| HTM securities adjusted for OTTI |                                 |           | \$ 8,308 | \$ 8,308  | \$ (769) <sup>1</sup>  |
| Impaired loans                   |                                 | \$ 3,615  |          | 3,615     | (10,358)   |
| Other real estate owned          |                                 | 55,957    |          | 55,957    | (48,177)   |
|                                  | \$                              | \$ 59,572 | \$ 8,308 | \$ 67,880 | \$ (59,304)  |

| <i>(In thousands)</i>            | Fair value at December 31, 2010 |            |            |            | Gains (losses) from<br>fair value<br>changes<br>Year Ended<br>December 31,<br>2010 |
|----------------------------------|---------------------------------|------------|------------|------------|--|
|                                  | Level 1                         | Level 2    | Level 3    | Total      |  |
| <b>ASSETS</b>                    |                                 |            |            |            |  |
| HTM securities adjusted for OTTI |                                 |            | \$ 3,502   | \$ 3,502   | \$ (151)   |
| Impaired loans                   |                                 |            | 97,352     | 97,352     | (128,072)  |
| Other real estate owned          |                                 | \$ 132,350 |            | 132,350    | (111,270)  |
|                                  | \$                              | \$ 132,350 | \$ 100,854 | \$ 233,204 | \$ (239,493)   |

<sup>1</sup> An additional \$20.9 million of OTTI was recognized in OCI.

We recognized net gains of \$20.2 million in 2011 and \$15.5 million in 2010 from the sale of OREO properties that had a carrying value at the time of sale of approximately \$275.9 million in 2011 and \$344.9 million in 2010. Previous to their sale in these years, we recognized impairment on these properties of \$34.8 million in 2011 and \$51.9 million in 2010.

Impaired (or nonperforming) loans that are collateral-dependent are fair valued under Level 2 based on the fair value of the collateral. Performing loans are not generally considered to be collateral-dependent because the primary source of loan repayment is not the liquidation of the collateral by the bank. Land loans require the selling of parcels to meet loan repayments. OREO is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time the property is recorded in OREO and as appropriate thereafter.

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Measurement of impairment for collateral-dependent loans and OREO is based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). The valuation method used for impaired construction loans is as is. Any adjustments to calculated fair value are made based on recently completed and validated third party appraisals, third party appraisal services, automated valuation services, or our informed judgment. Evaluations are made to determine that the appraisal process meets the relevant concepts and requirements of ASC 820.



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Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market, economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been significant to consider disclosure under Level 3 rather than Level 2.

Impaired loans not collateral-dependent are fair valued based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value under ASC 820 and have been excluded from the nonrecurring fair value balance in the preceding schedules. Impaired loans were reported as being fair valued under Level 3 in 2010; however, upon reconsideration, the fair value process for impaired loans that are collateral dependent is considered to be substantially the same as for OREO, and accordingly, has been included under Level 2.

**Fair Value Option**

At December 31, 2011, no financial assets or liabilities were recorded at fair value under the fair value option allowed in ASC 825, *Financial Instruments*.

**Fair Value of Certain Financial Instruments**

Following is a summary of the carrying values and estimated fair values of certain financial instruments.

| <i>(In thousands)</i>   | December 31, 2011 |                      | December 31, 2010 |                      |
|---|-------------------|----------------------|-------------------|----------------------|
|   | Carrying value    | Estimated fair value | Carrying value    | Estimated fair value |
| <b>Financial assets:</b>  |                   |                      |                   |                      |
| HTM investment securities   | \$ 807,804        | \$ 729,974           | \$ 840,642        | \$ 788,354           |
| Loans and leases (including loans held for sale), net of allowance for carrying value | 36,296,284        | 36,006,619           | 35,513,376        | 35,203,799           |
| <b>Financial liabilities:</b>   |                   |                      |                   |                      |
| Time deposits   | 3,413,550         | 3,444,189            | 4,173,449         | 4,216,371            |
| Foreign deposits  | 1,575,361         | 1,574,271            | 1,654,651         | 1,655,852            |
| Other short-term borrowings   | 70,273            | 70,387               | 166,394           | 168,221              |
| Long-term debt (less fair value hedges)   | 1,943,618         | 2,225,078            | 1,928,827         | 2,367,542            |

This summary excludes financial assets and liabilities for which carrying value approximates fair value. For financial assets, these include cash and due from banks and money market investments. For financial liabilities, these include demand, savings and money market deposits, and federal funds purchased and security repurchase agreements. The estimated fair value of demand, savings and money market deposits is the amount payable on demand at the reporting date. Carrying value is used because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately. Also excluded from the summary are financial instruments recorded at fair value on a recurring basis, as previously described.

The fair value of loans is estimated by discounting future cash flows on Pass grade loans using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated life-of-the-loan aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Company does not have a validated model to estimate lifetime credit losses on large portions of its loan portfolio. The estimate of lifetime credit losses is adjusted quarterly as necessary to reflect the most recent loss experience during the current prolonged cycle of economic weakness. Impaired loans are not included in this credit adjustment as they are already considered to be held at fair value. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

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The fair value of time and foreign deposits, and other short-term borrowings, is estimated by discounting future cash flows using the LIBOR yield curve. The estimated fair value of long-term debt is based on actual market trades (i.e., an asset value) when available, or discounting cash flows using the LIBOR yield curve adjusted for credit spreads.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements. Therefore, the fair value amounts shown in the schedule do not, by themselves, represent the underlying value of the Company as a whole.

## **22. OPERATING SEGMENT INFORMATION**

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of December 31, 2011, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. The operating segment identified as Other includes the Parent, Zions Management Services Company ( ZMSC ), certain nonbank and financial service subsidiaries, TCBO, and eliminations of transactions between segments.

ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

The accounting policies of the individual operating segments are the same as those of the Company as described in Note 1. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Operating segments pay for centrally provided services based upon estimated or actual usage of those services.

During 2011, 2010 and 2009, certain subsidiary banks sold investment securities to the Parent at their current fair value, which was less than carrying value. The Loss on sale of investment securities to Parent is shown separately in the following schedules as a component of other noninterest income. The amounts are eliminated in consolidation in the Other segment.

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The following is a summary of selected operating segment information.

| <i>(In millions)</i>                                     | <b>Zions Bank</b> |             |             | <b>CB&amp;T</b> |             |             | <b>Amegy</b> |             |             |
|--|-------------------|-------------|-------------|-----------------|-------------|-------------|--------------|-------------|-------------|
|  | <b>2011</b>       | <b>2010</b> | <b>2009</b> | <b>2011</b>     | <b>2010</b> | <b>2009</b> | <b>2011</b>  | <b>2010</b> | <b>2009</b> |
| Net interest income                                      | \$ 703.0          | \$ 724.7    | \$ 690.4    | \$ 509.3        | \$ 495.6    | \$ 465.3    | \$ 384.5     | \$ 392.3    | \$ 385.7    |
| Provision for loan losses                                | 128.3             | 350.6       | 400.4       | (9.5)           | 149.9       | 251.5       | (37.5)       | 118.7       | 406.1       |
| Net interest income after provision for loan losses      | 574.7             | 374.1       | 290.0       | 518.8           | 345.7       | 213.8       | 422.0        | 273.6       | (20.4)      |
| Net impairment losses on investment securities           | (0.3)             |             | (35.2)      | (0.5)           |             | (31.8)      |              |             |             |
| Loss on sale of investment securities to Parent          |                   | (54.8)      |             | (43.9)          |             | (288.1)     |              |             |             |
| Valuation losses on securities purchased                 |                   |             | (203.0)     |                 |             |             |              |             | (7.5)       |
| Gain on subordinated debt modification                   |                   |             |             |                 |             |             |              |             |             |
| Acquisition related gains                                |                   |             |             |                 |             | 152.7       |              |             |             |
| Other noninterest income                                 | 199.5             | 193.9       | 199.3       | 103.0           | 100.3       | 152.8       | 145.1        | 143.0       | 136.1       |
| Noninterest expense                                      | 547.4             | 576.8       | 522.5       | 355.0           | 346.9       | 295.2       | 325.0        | 334.9       | 345.6       |
| Impairment loss on goodwill                              |                   |             |             |                 |             |             |              |             | 633.3       |
| Income (loss) before income taxes                        | 226.5             | (63.6)      | (347.2)     | 222.4           | 99.1        | (95.8)      | 242.1        | 81.7        | (870.7)     |
| Income tax expense (benefit)                             | 76.0              | (15.3)      | (144.4)     | 88.0            | 40.3        | (45.6)      | 80.5         | 23.1        | (90.3)      |
| Net income (loss)  | 150.5             | (48.3)      | (202.8)     | 134.4           | 58.8        | (50.2)      | 161.6        | 58.6        | (780.4)     |
| Net income (loss) applicable to noncontrolling interests |                   | 0.1         | 0.1         |                 |             |             |              |             |             |
| Net income (loss) applicable to controlling interest     | 150.5             | (48.4)      | (202.9)     | 134.4           | 58.8        | (50.2)      | 161.6        | 58.6        | (780.4)     |
| Preferred stock dividends                                |                   |             |             | (6.6)           |             | (0.9)       | (12.2)       |             | (1.5)       |
| Preferred stock redemption                               |                   |             |             |                 |             |             |              |             |             |
| Net earnings (loss) applicable to common shareholders    | \$ 150.5          | \$ (48.4)   | \$ (202.9)  | \$ 127.8        | \$ 58.8     | \$ (51.1)   | \$ 149.4     | \$ 58.6     | \$ (781.9)  |
| Total assets   | \$ 17,531         | \$ 16,157   | \$ 17,652   | \$ 10,894       | \$ 10,766   | \$ 11,097   | \$ 12,282    | \$ 11,406   | \$ 11,145   |
| Net loans and leases <sup>1</sup>                        | 12,751            | 12,898      | 13,990      | 8,392           | 8,444       | 8,951       | 7,918        | 7,466       | 8,262       |
| Total deposits   | 14,905            | 13,631      | 13,823      | 9,192           | 9,219       | 9,760       | 9,731        | 8,906       | 8,880       |
| Shareholder s equity:                                    |                   |             |             |                 |             |             |              |             |             |
| Preferred equity   | 480               | 480         | 460         | 262             | 262         | 262         | 488          | 488         | 376         |
| Common equity  | 1,379             | 1,269       | 1,282       | 1,270           | 1,174       | 1,120       | 1,630        | 1,493       | 1,435       |
| Noncontrolling interests                                 |                   |             |             |                 |             |             |              |             |             |
| Total shareholder s equity                               | 1,859             | 1,749       | 1,742       | 1,532           | 1,436       | 1,382       | 2,118        | 1,981       | 1,811       |

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| <i>(In millions)</i>                                     | 2011     | NBA<br>2010 | 2009       | 2011     | NSB<br>2010 | 2009       | 2011      | Vectra<br>2010 | 2009      |
|--|----------|-------------|------------|----------|-------------|------------|-----------|----------------|-----------|
| Net interest income                                      | \$ 172.3 | \$ 177.4    | \$ 179.1   | \$ 135.0 | \$ 138.4    | \$ 140.0   | \$ 104.3  | \$ 108.5       | \$ 105.3  |
| Provision for loan losses                                | 9.6      | 53.4        | 291.7      | (38.3)   | 133.3       | 563.7      | 14.0      | 28.2           | 78.5      |
| Net interest income after provision for loan losses      | 162.7    | 124.0       | (112.6)    | 173.3    | 5.1         | (423.7)    | 90.3      | 80.3           | 26.8      |
| Net impairment losses on investment securities           |          |             |            |          |             | (3.3)      | (0.8)     | (1.3)          | (5.3)     |
| Loss on sale of investment securities to Parent          |          |             |            |          |             | (11.8)     | (28.9)    |                |           |
| Valuation losses on securities purchased                 |          |             |            |          |             |            |           |                |           |
| Gain on subordinated debt modification                   |          |             |            |          |             |            |           |                |           |
| Acquisition related gains                                |          |             |            |          |             | 16.5       |           |                |           |
| Other noninterest income                                 | 34.2     | 32.9        | 44.0       | 37.4     | 38.4        | 60.8       | 21.7      | 29.5           | 31.4      |
| Noninterest expense                                      | 154.7    | 169.9       | 170.0      | 139.3    | 152.0       | 180.6      | 100.7     | 92.5           | 96.4      |
| Impairment loss on goodwill                              |          |             |            |          |             |            |           |                |           |
| Income (loss) before income taxes                        | 42.2     | (13.0)      | (238.6)    | 71.4     | (108.5)     | (542.1)    | (18.4)    | 16.0           | (43.5)    |
| Income tax expense (benefit)                             | 16.7     | (5.1)       | (94.4)     | 24.8     | (38.2)      | (190.1)    | (8.3)     | 9.4            | (17.9)    |
| Net income (loss)  | 25.5     | (7.9)       | (144.2)    | 46.6     | (70.3)      | (352.0)    | (10.1)    | 6.6            | (25.6)    |
| Net income (loss) applicable to noncontrolling interests |          |             |            |          |             |            |           |                |           |
| Net income (loss) applicable to controlling interest     | 25.5     | (7.9)       | (144.2)    | 46.6     | (70.3)      | (352.0)    | (10.1)    | 6.6            | (25.6)    |
| Preferred stock dividends                                |          |             |            |          |             |            |           |                | (0.2)     |
| Preferred stock redemption                               |          |             |            |          |             |            |           |                |           |
| Net earnings (loss) applicable to common shareholders    | \$ 25.5  | \$ (7.9)    | \$ (144.2) | \$ 46.6  | \$ (70.3)   | \$ (352.0) | \$ (10.1) | \$ 6.6         | \$ (25.8) |
| Total assets   | \$ 4,485 | \$ 4,397    | \$ 4,524   | \$ 4,100 | \$ 4,017    | \$ 4,187   | \$ 2,341  | \$ 2,299       | \$ 2,440  |
| Net loans and leases <sup>1</sup>                        | 3,304    | 3,277       | 3,609      | 2,235    | 2,399       | 2,752      | 1,914     | 1,812          | 1,981     |
| Total deposits   | 3,731    | 3,696       | 3,784      | 3,546    | 3,424       | 3,526      | 2,004     | 1,923          | 2,005     |
| Shareholder s equity:                                    |          |             |            |          |             |            |           |                |           |
| Preferred equity   | 305      | 305         | 405        | 260      | 360         | 360        | 70        | 70             | 65        |
| Common equity  | 350      | 322         | 228        | 273      | 225         | 296        | 200       | 200            | 199       |
| Noncontrolling interests                                 |          |             |            |          |             |            |           |                |           |
| Total shareholder s equity                               | 655      | 627         | 633        | 533      | 585         | 656        | 270       | 270            | 264       |

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| <i>(In millions)</i>                                     | TCBW    |          |         | Other      |            |            | Consolidated Company |            |              |
|--|---------|----------|---------|------------|------------|------------|----------------------|------------|--------------|
|  | 2011    | 2010     | 2009    | 2011       | 2010       | 2009       | 2011                 | 2010       | 2009         |
| Net interest income                                      | \$ 30.3 | \$ 30.0  | \$ 32.1 | \$ (266.2) | \$ (339.5) | \$ (100.4) | \$ 1,772.5           | \$ 1,727.4 | \$ 1,897.5   |
| Provision for loan losses                                | 7.8     | 17.4     | 22.5    |            | 0.6        | 2.5        | 74.4                 | 852.1      | 2,016.9      |
| Net interest income after provision for loan losses      | 22.5    | 12.6     | 9.6     | (266.2)    | (340.1)    | (102.9)    | 1,698.1              | 875.3      | (119.4)      |
| Net impairment losses on investment securities           |         | (0.7)    | (1.1)   | (32.1)     | (83.4)     | (203.8)    | (33.7)               | (85.4)     | (280.5)      |
| Loss on sale of investment securities to Parent          | (4.8)   |          |         | 77.6       | 54.8       | 375.7      |                      |            |              |
| Valuation losses on securities purchased                 |         |          |         |            |            | (1.6)      |                      |            | (212.1)      |
| Gain on subordinated debt modification                   |         |          |         |            |            | 508.9      |                      |            | 508.9        |
| Acquisition related gains                                |         |          |         |            |            |            |                      |            | 169.2        |
| Other noninterest income                                 | 2.8     | 2.6      | 9.4     | (28.2)     | (14.7)     | (15.2)     | 515.5                | 525.9      | 618.6        |
| Noninterest expense                                      | 16.7    | 15.6     | 15.9    | 19.9       | 30.3       | 45.3       | 1,658.7              | 1,718.9    | 1,671.5      |
| Impairment loss on goodwill                              |         |          |         |            |            | 2.9        |                      |            | 636.2        |
| Income (loss) before income taxes                        | 3.8     | (1.1)    | 2.0     | (268.8)    | (413.7)    | 512.9      | 521.2                | (403.1)    | (1,623.0)    |
| Income tax expense (benefit)                             | 1.1     | (0.6)    | 0.4     | (80.3)     | (120.4)    | 181.0      | 198.5                | (106.8)    | (401.3)      |
| Net income (loss)  | 2.7     | (0.5)    | 1.6     | (188.5)    | (293.3)    | 331.9      | 322.7                | (296.3)    | (1,221.7)    |
| Net income (loss) applicable to noncontrolling interests |         |          |         | (1.1)      | (3.7)      | (5.7)      | (1.1)                | (3.6)      | (5.6)        |
| Net income (loss) applicable to controlling interest     | 2.7     | (0.5)    | 1.6     | (187.4)    | (289.6)    | 337.6      | 323.8                | (292.7)    | (1,216.1)    |
| Preferred stock dividends                                |         |          |         | (151.6)    | (122.9)    | (100.3)    | (170.4)              | (122.9)    | (102.9)      |
| Preferred stock redemption                               |         |          |         |            | 3.1        | 84.6       |                      | 3.1        | 84.6         |
| Net earnings (loss) applicable to common shareholders    | \$ 2.7  | \$ (0.5) | \$ 1.6  | \$ (339.0) | \$ (409.4) | \$ 321.9   | \$ 153.4             | \$ (412.5) | \$ (1,234.4) |
| Total assets   | \$ 874  | \$ 850   | \$ 835  | \$ 642     | \$ 1,143   | \$ (757)   | \$ 53,149            | \$ 51,035  | \$ 51,123    |
| Net loans and leases <sup>1</sup>                        | 562     | 572      | 578     | 69         | (121)      | 66         | 37,145               | 36,747     | 40,189       |
| Total deposits   | 693     | 662      | 632     | (926)      | (526)      | (569)      | 42,876               | 40,935     | 41,841       |
| Shareholder's equity:                                    |         |          |         |            |            |            |                      |            |              |
| Preferred equity   | 15      | 15       | 15      | 497        | 77         | (440)      | 2,377                | 2,057      | 1,503        |
| Common equity  | 75      | 69       | 69      | (569)      | (161)      | (439)      | 4,608                | 4,591      | 4,190        |
| Noncontrolling interests                                 |         |          |         | (2)        | (1)        | 17         | (2)                  | (1)        | 17           |
| Total shareholder's equity                               | 90      | 84       | 84      | (74)       | (85)       | (862)      | 6,983                | 6,647      | 5,710        |

<sup>1</sup> Net of unearned income and fees, net of related costs

**Table of Contents****23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

Financial information by quarter for 2011 and 2010 is as follows:

| <i>(In thousands, except per share amounts)</i> | Quarters   |            |            |            | Year         |
|---|------------|------------|------------|------------|--------------|
|   | First      | Second     | Third      | Fourth     |              |
| <b>2011:</b>                                    |            |            |            |            |              |
| Gross interest income                           | \$ 552,392 | \$ 558,666 | \$ 554,396 | \$ 539,473 | \$ 2,204,927 |
| Net interest income                             | 423,856    | 416,172    | 470,595    | 461,908    | 1,772,531    |
| Provision for loan losses                       | 60,000     | 1,330      | 14,553     | (1,476)    | 74,407       |
| <b>Noninterest income:</b>                      |            |            |            |            |              |
| Net impairment losses on investment securities  | (3,105)    | (5,158)    | (13,334)   | (12,086)   | (33,683)     |
| Investment securities gains (losses), net       | 838        | (4,032)    | 18,324     | 3,249      | 18,379       |
| Other noninterest income                        | 136,410    | 137,539    | 116,052    | 107,141    | 497,142      |
| Noninterest expense                             | 408,375    | 416,256    | 409,018    | 425,040    | 1,658,689    |
| Income before income taxes                      | 89,624     | 126,935    | 168,066    | 136,648    | 521,273      |
| Net income                                      | 52,591     | 72,610     | 108,718    | 88,771     | 322,690      |
| Net income applicable to controlling interest   | 52,817     | 72,875     | 109,093    | 89,019     | 323,804      |
| Preferred stock dividends                       | (38,050)   | (43,837)   | (43,928)   | (44,599)   | (170,414)    |
| Net earnings applicable to common shareholders  | 14,767     | 29,038     | 65,165     | 44,420     | 153,390      |
| <b>Net earnings per common share:</b>           |            |            |            |            |              |
| Basic   | \$ 0.08    | \$ 0.16    | \$ 0.35    | \$ 0.24    | \$ 0.83      |
| Diluted   | 0.08       | 0.16       | 0.35       | 0.24       | 0.83         |
| <b>2010:</b>                                    |            |            |            |            |              |
| Gross interest income                           | \$ 580,135 | \$ 583,738 | \$ 581,934 | \$ 574,038 | \$ 2,319,845 |
| Net interest income                             | 455,300    | 413,346    | 451,875    | 406,868    | 1,727,389    |
| Provision for loan losses                       | 265,565    | 228,663    | 184,668    | 173,242    | 852,138      |
| <b>Noninterest income:</b>                      |            |            |            |            |              |
| Net impairment losses on investment securities  | (31,263)   | (18,060)   | (23,712)   | (12,320)   | (85,355)     |
| Investment securities gains (losses), net       | (1,909)    | (970)      | 7,346      | 595        | 5,062        |
| Other noninterest income                        | 140,782    | 128,443    | 126,566    | 124,964    | 520,755      |
| Noninterest expense                             | 389,126    | 430,355    | 456,044    | 443,356    | 1,718,881    |
| Loss before income taxes                        | (91,781)   | (136,259)  | (78,637)   | (96,491)   | (403,168)    |
| Net loss  | (63,137)   | (113,361)  | (47,457)   | (72,394)   | (296,349)    |
| Net loss applicable to controlling interest     | (60,210)   | (112,993)  | (47,325)   | (72,200)   | (292,728)    |
| Preferred stock dividends                       | (26,311)   | (25,342)   | (33,144)   | (38,087)   | (122,884)    |
| Preferred stock redemption                      |            | 3,107      |            |            | 3,107        |
| Net loss applicable to common shareholders      | (86,521)   | (135,228)  | (80,469)   | (110,287)  | (412,505)    |
| <b>Net loss per common share:</b>               |            |            |            |            |              |
| Basic   | \$ (0.57)  | \$ (0.84)  | \$ (0.47)  | \$ (0.62)  | \$ (2.48)    |
| Diluted   | (0.57)     | (0.84)     | (0.47)     | (0.62)     | (2.48)       |

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| <i>(In thousands)</i>   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2011</b>         | <b>2010</b>  |
| <b>ASSETS</b>   |                     |              |
| Cash and due from banks   | \$ 11               | \$ 1,848     |
| Interest-bearing deposits   | 956,476             | 547,665      |
| Investment securities:  |                     |              |
| Held-to-maturity, at adjusted cost (approximate fair value \$13,019 and \$4,056)          | 20,118              | 3,593        |
| Available-for-sale, at fair value   | 382,880             | 1,146,797    |
| Loans, net of unearned fees of \$0 and \$0 and allowance for loan losses of \$33 and \$71 | 1,495               | 2,852        |
| Other noninterest-bearing investments   | 52,903              | 55,560       |
| Investments in subsidiaries:  |                     |              |
| Commercial banks and bank holding company   | 7,070,620           | 6,739,699    |
| Other operating companies   | 45,043              | 70,272       |
| Nonoperating ZMFU II, Inc. <sup>1</sup>   | 92,751              | 93,003       |
| Receivables from subsidiaries:  |                     |              |
| Other   | 190                 | 1,150        |
| Other assets  | 285,971             | 253,773      |
|   | \$ 8,908,458        | \$ 8,916,212 |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                     |              |
| Other liabilities   | \$ 104,829          | \$ 182,094   |
| Commercial paper:   |                     |              |
| Due to affiliates   | 45,995              | 45,991       |
| Due to others   | 3,063               | 2,647        |
| Other short-term borrowings:  |                     |              |
| Due to affiliates   | 5                   | 72,204       |
| Due to others   | 66,883              | 160,604      |
| Subordinated debt to affiliated trusts  | 309,278             | 309,278      |
| Long-term debt:   |                     |              |
| Due to affiliates   | 53                  | 110,208      |
| Due to others   | 1,393,044           | 1,384,907    |
| Total liabilities   | 1,923,150           | 2,267,933    |
| Shareholders' equity:   |                     |              |
| Preferred stock   | 2,377,560           | 2,056,672    |
| Common stock  | 4,163,242           | 4,163,619    |
| Retained earnings   | 1,036,590           | 889,284      |
| Accumulated other comprehensive loss  | (592,084)           | (461,296)    |
| Total shareholders' equity  | 6,985,308           | 6,648,279    |
|   | \$ 8,908,458        | \$ 8,916,212 |

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





**Table of Contents****CONDENSED STATEMENTS OF INCOME**

| <i>(In thousands)</i>  | Year Ended December 31, |                  |                    |
|--|-------------------------|------------------|--------------------|
|  | 2011                    | 2010             | 2009               |
| <b>Interest income:</b>  |                         |                  |                    |
| Commercial bank subsidiaries   | \$ 2,519                | \$ 5,665         | \$ 18,939          |
| Other subsidiaries and affiliates  | 63                      | 69               | 326                |
| Other loans and securities   | 13,640                  | 14,450           | 15,735             |
| <b>Total interest income</b>   | <b>16,222</b>           | <b>20,184</b>    | <b>35,000</b>      |
| <b>Interest expense:</b>   |                         |                  |                    |
| Affiliated trusts  | 24,027                  | 24,032           | 24,094             |
| Other borrowed funds   | 274,843                 | 363,981          | 150,695            |
| <b>Total interest expense</b>  | <b>298,870</b>          | <b>388,013</b>   | <b>174,789</b>     |
| Net interest loss  | (282,648)               | (367,829)        | (139,789)          |
| Provision for loan losses  | (38)                    | (41)             | (531)              |
| Net interest loss after provision for loan losses                                | (282,610)               | (367,788)        | (139,258)          |
| <b>Other income:</b>   |                         |                  |                    |
| <b>Dividends from consolidated subsidiaries:</b>                                 |                         |                  |                    |
| Commercial banks and bank holding company  | 71,350                  |                  | 4,603              |
| Other operating companies  | 14,151                  | 450              | 425                |
| Equity and fixed income securities gains (losses), net                           | 426                     | 386              | (11,042)           |
| Net impairment losses on investment securities                                   | (26,810)                | (70,306)         | (191,351)          |
| Gain on subordinated debt modification   |                         |                  | 508,945            |
| Other income (loss)  | 4,203                   | (3,802)          | 2,737              |
|  | 63,320                  | (73,272)         | 314,317            |
| <b>Expenses:</b>   |                         |                  |                    |
| Salaries and employee benefits   | 19,033                  | 14,720           | 21,663             |
| Other operating expenses   | 4,176                   | 11,465           | 2,882              |
|  | 23,209                  | 26,185           | 24,545             |
| Income (loss) before income taxes and undistributed income                       |                         |                  |                    |
| (loss) of consolidated subsidiaries  | (242,499)               | (467,245)        | 150,514            |
| Income taxes (benefit)   | (104,395)               | (141,983)        | 27,939             |
| Income before equity in undistributed income (loss) of consolidated subsidiaries | (138,104)               | (325,262)        | 122,575            |
| <b>Equity in undistributed income (loss) of consolidated subsidiaries:</b>       |                         |                  |                    |
| Commercial banks and bank holding company  | 488,806                 | 34,820           | (1,325,678)        |
| Other operating companies  | (27,687)                | (3,271)          | (21,995)           |
| Nonoperating ZMFU II, Inc.   | 789                     | 985              | 8,987              |
| <b>Net income (loss)</b>   | <b>323,804</b>          | <b>(292,728)</b> | <b>(1,216,111)</b> |
| Preferred stock dividends  | (170,414)               | (122,884)        | (102,969)          |
| Preferred stock redemption   |                         | 3,107            | 84,633             |

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|   |            |              |                |
|---|------------|--------------|----------------|
| Net earnings (loss) applicable to common shareholders | \$ 153,390 | \$ (412,505) | \$ (1,234,447) |
|---|------------|--------------|----------------|

**Table of Contents****CONDENSED STATEMENTS OF CASH FLOWS**

| <i>(In thousands)</i>  | <b>Year Ended December 31,</b> |                  |                  |
|--|--------------------------------|------------------|------------------|
|  | <b>2011</b>                    | <b>2010</b>      | <b>2009</b>      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                |                  |                  |
| Net income (loss)  | \$ 323,804                     | \$ (292,728)     | \$ (1,216,111)   |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                                |                  |                  |
| Undistributed net losses (income) of consolidated subsidiaries                       | (461,908)                      | (32,534)         | 1,338,686        |
| Unrealized equity securities losses, net   |                                |                  | 3,530            |
| Net impairment losses on investment securities                                       | 26,810                         | 70,306           | 191,351          |
| Gain on subordinated debt modification   |                                |                  | (508,945)        |
| Other, net   | 27,505                         | (2,699)          | 171,172          |
| <b>Net cash used in operating activities</b>   | <b>(83,789)</b>                | <b>(257,655)</b> | <b>(20,317)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                |                  |                  |
| Net decrease (increase) in interest-bearing deposits                                 | (408,811)                      | (7,791)          | 440,654          |
| Collection of advances to subsidiaries   | 6,425                          | 2,900            | 779,550          |
| Advances to subsidiaries   | (6,250)                        | (2,000)          | (6,970)          |
| Proceeds from sales and maturities investment securities                             | 1,259,262                      | 23,218           | 9,895            |
| Purchases of investment securities   | (575,887)                      | (807,441)        | (297,877)        |
| Decrease (increase) of investment in subsidiaries                                    | 113,834                        | (141,550)        | (1,509,150)      |
| Other, net   | 9,642                          | 29,549           | 15,392           |
| <b>Net cash provided by (used in) investing activities</b>                           | <b>398,215</b>                 | <b>(903,115)</b> | <b>(568,506)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                |                  |                  |
| Net change in short-term funds borrowed  | (165,500)                      | 113,108          | (138,659)        |
| Proceeds from issuance of long-term debt   | 101,821                        | 255,845          | 703,932          |
| Repayments of long-term debt   | (117,975)                      | (72,923)         | (295,630)        |
| Proceeds from issuance of preferred stock  |                                | 138,657          |                  |
| Proceeds from issuance of common stock and warrants                                  | 25,686                         | 838,488          | 464,110          |
| Cash paid for preferred stock redemption   |                                |                  | (47,166)         |
| Dividends paid on preferred stock  | (148,774)                      | (102,666)        | (84,408)         |
| Dividends paid on common stock   | (7,361)                        | (6,650)          | (11,863)         |
| Other, net   | (4,160)                        | (3,495)          | (1,374)          |
| <b>Net cash provided by (used in) financing activities</b>                           | <b>(316,263)</b>               | <b>1,160,364</b> | <b>588,942</b>   |
| <b>Net increase (decrease) in cash and due from banks</b>                            | <b>(1,837)</b>                 | <b>(406)</b>     | <b>119</b>       |
| Cash and due from banks at beginning of year   | 1,848                          | 2,254            | 2,135            |
| <b>Cash and due from banks at end of year</b>  | <b>\$ 11</b>                   | <b>\$ 1,848</b>  | <b>\$ 2,254</b>  |

The Parent paid interest of \$126.7 million in 2011, \$147.2 million in 2010, and \$122.8 million in 2009.

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2011. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011. There were no material changes in the Company's internal control over financial reporting during the fourth quarter of 2011. See Report on Management's Assessment of Internal Control over Financial Reporting included in Item 8 on page 94 for management's report on the adequacy of internal control over financial reporting. Also see Report on Internal Control over Financial Reporting issued by Ernst & Young LLP included in Item 8 on page 95.

**ITEM 9B. OTHER INFORMATION**

None.

**Table of Contents****PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

**ITEM 11. EXECUTIVE COMPENSATION**

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS  
EQUITY COMPENSATION PLAN INFORMATION**

The following schedule provides information as of December 31, 2011 with respect to the shares of the Company's common stock that may be issued under existing equity compensation plans.

| Plan Category <sup>1</sup>   | (a)<br>Number of securities<br>to be issued upon<br>exercise of<br>outstanding<br>options,<br>warrants and<br>rights | (b)<br>Weighted average<br>exercise price of<br>outstanding options,<br>warrants and<br>rights | (c)<br>Number of<br>securities<br>remaining available<br>for future<br>issuance under equity<br>compensation plans<br>(excluding<br>securities<br>reflected in column (a)) |
|--|--|--|--|
| <b>Equity Compensation Plans<br/>Approved by Security Holders:</b> |  |  |  |
| Zions Bancorporation 2005 Stock Option and Incentive Plan          | 5,434,245  | \$ 42.07   | 2,167,551  |
| Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan | 84,000   | 53.53  |  |
| Zions Bancorporation Key Employee Incentive Stock Option Plan      | 7,138  | 63.01  |  |
| <b>Total</b>   | <b>5,525,383</b>   |  | <b>2,167,551</b>   |

<sup>1</sup> The schedule does not include information for equity compensation plans assumed by the Company in mergers. A total of 408,487 shares of common stock with a weighted average exercise price of \$53.71 were issuable upon exercise of options granted under plans assumed in mergers and outstanding at December 31, 2011. The Company cannot grant additional awards under these assumed plans. Column (a) also excludes 1,399,854 shares of unvested restricted stock, 146,165 restricted stock units, and 49,376 salary stock units (each unit representing the right to one share of common stock).

Other information required by Item 12 is incorporated by reference from the Company's Proxy Statement to be subsequently filed.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

**Table of Contents****PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

- (a) (1) Financial statements The following consolidated financial statements of Zions Bancorporation and subsidiaries are filed as part of this Form 10-K under Item 8, Financial Statements and Supplementary Data:

Consolidated balance sheets December 31, 2011 and 2010

Consolidated statements of income Years ended December 31, 2011, 2010 and 2009

Consolidated statements of changes in shareholders' equity and comprehensive income Years ended December 31, 2011, 2010 and 2009

Consolidated statements of cash flows Years ended December 31, 2011, 2010 and 2009

Notes to consolidated financial statements December 31, 2011

- (2) Financial statement schedules All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

- (3) List of Exhibits:

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |   |
|---------------------------|--|---|
| 3.1                       | Restated Articles of Incorporation of Zions Bancorporation dated November 8, 1993, incorporated by reference to Exhibit 3.1 of Form S-4 filed on November 22, 1993.  | * |
| 3.2                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 30, 1997, incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2008.      | * |
| 3.3                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 24, 1998, incorporated by reference to Exhibit 3.3 of Form 10-Q for the quarter ended March 31, 2009.      | * |
| 3.4                       | Articles of Amendment to Restated Articles of Incorporation of Zions Bancorporation dated April 25, 2001, incorporated by reference to Exhibit 3.6 of Form S-4 filed July 13, 2001.                            | * |
| 3.5                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated December 5, 2006 (filed herewith).  |   |
| 3.6                       | Articles of Merger of The Stockmen's Bancorp, Inc. with and into Zions Bancorporation, effective January 17, 2007, incorporated by reference to Exhibit 3.6 of Form 10-K for the year ended December 31, 2006. | * |
| 3.7                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated July 7, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 8, 2008.                          | * |
| 3.8                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated November 12, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed November 17, 2008.                | * |
| 3.9                       | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated June 30, 2009, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 2, 2009.                         | * |

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| <b>Exhibit Number</b> | <b>Description</b>   |   |
|-----------------------|--|---|
| 3.10                  | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 30, 2009, incorporated by reference to Exhibit 3.10 of Form 10-Q for the quarter ended June 30, 2009.   | * |
| 3.11                  | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 1, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 3, 2010.   | * |
| 3.12                  | Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 14, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 15, 2010.   | * |
| 3.13                  | Restated Bylaws of Zions Bancorporation dated November 8, 2011, incorporated by reference to Exhibit 3.13 of Form 10-Q for the quarter ended September 30, 2011.   | * |
| 4.1                   | Senior Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to senior debt securities of Zions Bancorporation (filed herewith).              |   |
| 4.2                   | Subordinated Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to subordinated debt securities of Zions Bancorporation (filed herewith).  |   |
| 4.3                   | Junior Subordinated Indenture dated August 21, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to junior subordinated debentures of Zions Bancorporation (filed herewith). |   |
| 4.4                   | Warrant to purchase up to 5,789,909 shares of Common Stock, issued on November 14, 2008, incorporated by reference to Exhibit 4.2 of Form 8-K filed November 17, 2008.   | * |
| 4.5                   | Warrant Agreement, between Zions Bancorporation and Zions First National Bank, and Warrant Certificate, incorporated by reference to Exhibit 4.1 of Form 10-Q for the quarter ended September 30, 2010.  | * |
| 10.1                  | Zions Bancorporation 2009-2011 Value Sharing Plan, incorporated by reference to Exhibit 10.5 of Form 10-K for the year ended December 31, 2009.  | * |
| 10.2                  | Zions Bancorporation 2011-2013 Value Sharing Plan (filed herewith).  |   |
| 10.3                  | 2005 Management Incentive Compensation Plan, incorporated by reference to Exhibit 10.6 of Form 10-K for the year ended December 31, 2010.  | * |
| 10.4                  | Zions Bancorporation Second Restated and Revised Deferred Compensation Plan, incorporated by reference to Exhibit 10.6 of Form 10-K for the year ended December 31, 2008.  | * |
| 10.5                  | Zions Bancorporation Third Restated Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 10.7 of Form 10-K for the year ended December 31, 2008.   | * |
| 10.6                  | Fifth Amended and Restated Amegy Bancorporation, Inc. Non-Employee Directors Deferred Fee Plan, incorporated by reference to Exhibit 10.8 of Form 10-K for the year ended December 31, 2008.   | * |
| 10.7                  | Zions Bancorporation First Restated Excess Benefit Plan, incorporated by reference to Exhibit 10.9 of Form 10-K for the year ended December 31, 2008.  | * |
| 10.8                  | Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB effective October 1, 2002, incorporated by reference to Exhibit 10.10 of Form 10-K for the year ended December 31, 2006.    | * |



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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |   |
|---------------------------|---|---|
| 10.9                      | Amendment to the Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB substituting Prudential Bank & Trust, FSB as the trustee, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2010. | * |
| 10.10                     | Amendment to Trust Agreement Establishing the Zions Bancorporation Deferred Compensation Plans Trust, effective September 1, 2006, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2006.  | * |
| 10.11                     | Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 1, 2006, incorporated by reference to Exhibit 10.13 of Form 10-K for the year ended December 31, 2006.  | * |
| 10.12                     | Revised schedule C to Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 13, 2006, incorporated by reference to Exhibit 10.14 of Form 10-K for the year ended December 31, 2006.   | * |
| 10.13                     | Zions Bancorporation Restated Pension Plan effective January 1, 2002, including amendments adopted through December 31, 2010, incorporated by reference to Exhibit 10.16 of Form 10-K for the year ended December 31, 2010.   | * |
| 10.14                     | Zions Bancorporation Executive Management Pension Plan, incorporated by reference to Exhibit 10.20 of Form 10-K for the year ended December 31, 2008.   | * |
| 10.15                     | Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, Restated and Amended effective January 1, 2002, including amendments adopted thru December 31, 2010, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2010.  | * |
| 10.16                     | Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated July 3, 2006, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended March 31, 2007.   | * |
| 10.17                     | First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2010.                                    | * |
| 10.18                     | Second Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2010.                                   | * |
| 10.19                     | Third Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 30, 2010, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended June 30, 2010.                                   | * |
| 10.20                     | Amended and Restated Zions Bancorporation Key Employee Incentive Stock Option Plan, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2009.   | * |
| 10.21                     | Amended and Restated Zions Bancorporation 1996 Non-Employee Directors Stock Option Plan, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2007.  | * |
| 10.22                     | Amended and Restated Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2009.   | * |
| 10.23                     | Standard Stock Option Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).  |   |
| 10.24                     | Standard Restricted Stock Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).  |   |

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| <b>Exhibit<br/>Number</b> | <b>Description</b>  |   |
|---------------------------|---|---|
| 10.25                     | Standard Restricted Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).   |   |
| 10.26                     | Standard Directors Stock Option Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.29 of Form 10-K for the year ended December 31, 2010.   | * |
| 10.27                     | Standard Directors Restricted Stock Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.4 of Form 10-Q for the quarter ended June 30, 2009.   | * |
| 10.28                     | Standard Directors Restricted Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).   |   |
| 10.29                     | Standard Salary Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.1 of Form 8-K filed December 28, 2009.   | * |
| 10.30                     | Standard Deferred Salary Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan, incorporated by reference to Exhibit 10.31 of Form 10-K for the year ended December 31, 2010.   | * |
| 10.31                     | Standard 2012 Deferred Salary Stock Unit Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).   |   |
| 10.32                     | Amegy Bancorporation (formerly Southwest Bancorporation of Texas, Inc.) 1996 Stock Option Plan, as amended and restated as of June 4, 2002, incorporated by reference to Exhibit 10.45 of Form 10-K for the year ended December 31, 2007.                     | * |
| 10.33                     | Amegy Bancorporation 2004 (formerly Southwest Bancorporation of Texas, Inc.) Omnibus Incentive Plan, incorporated by reference to Exhibit 10.47 of Form 10-K for the year ended December 31, 2009.  | * |
| 10.34                     | Form of Change in Control Agreement between the Company and Certain Executive Officers, incorporated by reference to Exhibit 10.39 of Form 10-K for the year ended December 31, 2006.   | * |
| 10.35                     | Form of Change in Control Agreement between the Company and Scott J. McLean, incorporated by reference to Exhibit 10.48 of Form 10-K for the year ended December 31, 2007.  | * |
| 10.36                     | Addendum to Change in Control Agreement, incorporated by reference to Exhibit 10.43 of Form 10-K for the year ended December 31, 2008.  | * |
| 10.37                     | Form of Change in Control Agreement between the Company and Kenneth E. Peterson, incorporated by reference to Exhibit 10.37 of Form 10-K for the year ended December 31, 2010.  | * |
| 10.38                     | Stock Purchase and Shareholder Agreement dated June 1, 2004 among Welman Holdings, Inc., the Company, Zions First National Bank and PSC Wealth Management, LLC, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2010. | * |
| 10.39                     | Employment Agreement between the Company and Dallas Haun, incorporated by reference to Exhibit 10.53 of Form 10-K for the year ended December 31, 2007.   | * |
| 10.40                     | Employment agreement between the Company and Kenneth E. Peterson, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended March 31, 2010.  | * |
| 10.41                     | Performance stock agreement between Zions Bancorporation and Scott McLean, dated August 15, 2008, incorporated by reference to Exhibit 10.51 of Form 10-K filed December 31, 2008.  | * |
| 10.42                     | Form of Change in Control Agreement between the Company and Dallas E. Haun, dated May 23, 2008, incorporated by reference to Exhibit 10.52 of Form 10-K filed December 31, 2008.  | * |
| 12                        | Ratio of Earnings to Fixed Charges (filed herewith).  |   |
| 21                        | List of Subsidiaries of Zions Bancorporation (filed herewith).  |   |
| 23                        | Consent of Independent Registered Public Accounting Firm (filed herewith).  |   |

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 31.1                      | Certification by Chief Executive Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).   |
| 31.2                      | Certification by Chief Financial Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).   |
| 32                        | Certification by Chief Executive Officer and Chief Financial Officer required by Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and 18 U.S.C. Section 1350 (furnished herewith).   |
| 99.1                      | Certification by Chief Executive Officer required by 111(b)(4) of the Emergency Economic Stabilization Act (filed herewith).   |
| 99.2                      | Certification by Chief Financial Officer required by 111(b)(4) of the Emergency Economic Stabilization Act (filed herewith).   |
| 101                       | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010, (ii) the Consolidated Statements of Income for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, (iii) the Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, December 31, 2010, and December 31, 2009 and (v) the Notes to Consolidated Financial Statements (furnished herewith). |

\* *Incorporated by reference*

*Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.*

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 29, 2012

ZIONS BANCORPORATION

By */s/ HARRIS H. SIMMONS*  
**HARRIS H. SIMMONS, Chairman,**

**President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

February 29, 2012

*/s/ HARRIS H. SIMMONS*  
**HARRIS H. SIMMONS, Director,**

**Chairman, President and Chief Executive**

**Officer (Principal Executive Officer)**

*/s/ ALEXANDER J. HUME*  
**ALEXANDER J. HUME, Controller**

**(Principal Accounting Officer)**

*/s/ R. D. CASH*  
**R. D. CASH, Director**

*/s/ J. DAVID HEANEY*  
**J. DAVID HEANEY, Director**

*/s/ STEPHEN D. QUINN*  
**STEPHEN D. QUINN, Director**

*/s/ STEVEN C. WHEELWRIGHT*  
**STEVEN C. WHEELWRIGHT, Director**

*/s/ DOYLE L. ARNOLD*  
**DOYLE L. ARNOLD, Vice Chairman and**

**Chief Financial Officer (Principal Financial Officer)**

*/s/ JERRY C. ATKIN*  
**JERRY C. ATKIN, Director**

*/s/ PATRICIA FROBES*  
**PATRICIA FROBES, Director**

*/s/ ROGER B. PORTER*  
**ROGER B. PORTER, Director**

*/s/ L. E. SIMMONS*  
**L. E. SIMMONS, Director**

*/s/ SHELLEY THOMAS WILLIAMS*  
**SHELLEY THOMAS WILLIAMS, Director**