ZIONS BANCORPORATION /UT/
Form 10-Q
November 06, 2014

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

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014
or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
COMMISSION FILE NUMBER 001-12307
ZIONS BANCORPORATION
(Exact name of registrant as specified in its charter)

UTAH	87-0227400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One South Main, 15th Floor Salt Lake City, Utah	84133
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: (801) 844-7637

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

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

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

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

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

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

Common Stock, without par value, outstanding at October 31, 2014	202,932,251 shares

ZIONS BANCORPORATION AND SUBSIDIARIES
INDEX

Insert Title Here

Table of Contents

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

(In thousands, except shares)	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and due from banks	$588,691	$1,175,083
Money market investments:		
Interest-bearing deposits	7,464,865	8,175,048
Federal funds sold and security resell agreements	355,844	282,248
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $642,529 and $609,547)	609,758	588,981
Available-for-sale, at fair value	3,563,408	3,701,886
Trading account, at fair value	55,419	34,559
	4,228,585	4,325,426
Loans held for sale	109,139	171,328
Loans and leases, net of unearned income and fees	39,739,795	39,043,365
Less allowance for loan losses	610,277	746,291
Loans, net of allowance	39,129,518	38,297,074
Other noninterest-bearing investments	855,743	855,642
Premises and equipment, net	811,127	726,372
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	28,160	36,444
Other real estate owned	27,418	46,105
Other assets	845,651	926,228
	$55,458,870	$56,031,127
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$19,770,405	$18,758,753
Interest-bearing:		
Savings and money market	23,742,911	23,029,928
Time	2,441,756	2,593,038
Foreign	310,264	1,980,161
	46,265,336	46,361,880
Federal funds and other short-term borrowings	191,798	340,348
Long-term debt	1,113,677	2,273,575
Reserve for unfunded lending commitments	79,377	89,705
Other liabilities	486,523	501,056
Total liabilities	48,136,711	49,566,564
Shareholders' equity:		

Preferred stock, without par value, authorized 4,400,000 shares	1,004,006	1,003,970
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 202,898,491 and 184,677,696 shares	4,717,295	4,179,024
Retained earnings	1,711,785	1,473,670
Accumulated other comprehensive income (loss)	(110,927)	(192,101)
Total shareholders' equity	7,322,159	6,464,563
	$55,458,870	$56,031,127

See accompanying notes to consolidated financial statements.

3

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest income:				
Interest and fees on loans	$430,415	$442,366	$1,298,560	$1,356,107
Interest on money market investments	5,483	6,175	15,501	17,378
Interest on securities	24,377	24,866	76,973	77,903
Total interest income	460,275	473,407	1,391,034	1,451,388
Interest expense:				
Interest on deposits	12,313	14,506	37,188	45,291
Interest on short- and long-term borrowings	31,144	43,380	104,280	141,804
Total interest expense	43,457	57,886	141,468	187,095
Net interest income	416,818	415,521	1,249,566	1,264,293
Provision for loan losses	(54,643)	(5,573)	(109,669)	(56,598)
Net interest income after provision for loan losses	471,461	421,094	1,359,235	1,320,891
Noninterest income:				
Service charges and fees on deposit accounts	44,941	44,701	130,408	132,610
Other service charges, commissions and fees	51,005	45,977	142,037	134,596
Wealth management income	7,438	7,120	22,495	21,846
Capital markets and foreign exchange	5,361	7,309	16,203	21,535
Dividends and other investment income	11,324	12,101	27,183	36,164
Loan sales and servicing income	6,793	8,464	19,602	30,138
Fair value and nonhedge derivative income (loss)	44	(4,403)	(10,429)	(12,805)
Equity securities gains, net	440	3,165	3,865	8,206
Fixed income securities gains (losses), net	(13,901)	1,580	22,039	3,726
Impairment losses on investment securities:				
Impairment losses on investment securities	—	(10,470)	(27)	(46,873)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	—	1,403	—	23,472
Net impairment losses on investment securities	—	(9,067)	(27)	(23,401)
Other	2,627	5,243	5,865	15,942
Total noninterest income	116,072	122,190	379,241	368,557
Noninterest expense:				
Salaries and employee benefits	245,520	229,185	717,690	686,302
Occupancy, net	28,495	28,230	85,739	83,570
Furniture, equipment and software	28,524	26,560	84,454	79,179
Other real estate expense	875	(831)	2,216	2,736
Credit-related expense	6,475	7,265	20,520	27,144
Provision for unfunded lending commitments	(16,095)	(19,935)	(10,328)	(22,662)
Professional and legal services	16,588	16,462	39,754	44,082
Advertising	6,094	6,091	19,295	17,791
FDIC premiums	8,204	9,395	24,143	29,230
Amortization of core deposit and other intangibles	2,665	3,570	8,283	11,151

Debt extinguishment cost	44,422	—	44,422	40,282
Other	66,769	64,671	206,438	220,884
Total noninterest expense	438,536	370,663	1,242,626	1,219,689
Income before income taxes	148,997	172,621	495,850	469,759
Income taxes	53,109	61,107	179,202	164,832
Net income	95,888	111,514	316,648	304,927
Net loss applicable to noncontrolling interests	—	—	—	(336)
Net income applicable to controlling interest	95,888	111,514	316,648	305,263
Preferred stock dividends	(16,761)	(27,507)	(56,841)	(77,547)
Preferred stock redemption	—	125,700	—	125,700
Net earnings applicable to common shareholders	$79,127	$209,707	$259,807	$353,416
Weighted average common shares outstanding during the period:				
Basic shares	196,687	184,112	188,643	183,721
Diluted shares	197,271	184,742	189,260	184,144
Net earnings per common share:				
Basic	$0.40	$1.13	$1.36	$1.90
Diluted	0.40	1.12	1.36	1.90

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net income	$95,888	$111,514	$316,648	$304,927
Other comprehensive income (loss), net of tax:				
Net unrealized holding gains (losses) on investment securities	18,265	(10,564)	100,723	67,646
Noncredit-related impairment losses on securities not expected to be sold	—	(867)	—	(13,751)
Reclassification to earnings for realized net fixed income securities losses (gains)	7,886	(976)	(20,058)	(2,301)
Reclassification to earnings for net credit-related impairment losses on investment securities	—	5,588	17	14,136
Accretion of securities with noncredit-related impairment losses not expected to be sold	276	285	835	880
Net unrealized holding gains (losses) on derivative instruments	(508)	239	1,011	236
Net unrealized gains (losses) on other noninterest-bearing investments	454	(3,595)	(333)	(3,709)
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(463)	(57)	(1,021)	(1,483)
Other comprehensive income (loss)	25,910	(9,947)	81,174	61,654
Comprehensive income	121,798	101,567	397,822	366,581
Comprehensive loss applicable to noncontrolling interests	—	—	—	(336)
Comprehensive income applicable to controlling interest	$121,798	$101,567	$397,822	$366,917

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands, except shares and per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
Balance at December 31, 2013	$1,003,970	184,677,696	$4,179,024	$1,473,670	$(192,101)	$—	$6,464,563
Net income for the period				316,648			316,648
Other comprehensive income, net of tax					81,174		81,174
Issuance of common stock		17,617,450	515,856				515,856
Subordinated debt converted to preferred stock	36		(5)				31
Net activity under employee plans and related tax benefits		603,345	22,420				22,420
Dividends on preferred stock				(56,841)			(56,841)
Dividends on common stock, $0.12 per share				(23,039)			(23,039)
Change in deferred compensation				1,347			1,347
Balance at September 30, 2014	$1,004,006	202,898,491	$4,717,295	$1,711,785	$(110,927)	$—	$7,322,159
Balance at December 31, 2012	$1,128,302	184,199,198	$4,166,109	$1,203,815	$(446,157)	$(3,428)	$6,048,641
Net income (loss) for the period				305,263		(336)	304,927
Other comprehensive income, net of tax					61,654		61,654
Issuance of preferred stock	800,000		(15,627)				784,373
Preferred stock redemption	(925,748)		580	125,700			(799,468)
Subordinated debt converted to preferred stock	1,416		(206)				1,210
		400,807	26,197				26,197

Net activity under employee plans and related tax benefits							
Dividends on preferred stock				(77,547)			(77,547)
Dividends on common stock, $0.09 per share				(16,667)			(16,667)
Change in deferred compensation				(109)			(109)
Other changes in noncontrolling interests			(4,166)			3,764	(402)
Balance at September 30, 2013	$1,003,970	184,600,005	$4,172,887	$1,540,455	$(384,503)	$—	$6,332,809

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$95,888	$111,514	$316,648	$304,927
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt extinguishment cost	44,422	—	44,422	40,282
Net impairment losses on investment securities	—	9,067	27	23,401
Provision for credit losses	(70,738)	(25,508)	(119,997)	(79,260)
Depreciation and amortization	33,860	42,667	97,414	102,860
Fixed income securities losses (gains), net	13,901	(1,580)	(22,039)	(3,726)
Deferred income tax expense (benefit)	2,960	5,832	22,368	(612)
Net decrease (increase) in trading securities	1,241	(11,876)	(20,868)	(10,005)
Net decrease in loans held for sale	44,162	49,696	46,035	173,142
Change in other liabilities	33,619	28,047	(24,375)	(17,463)
Change in other assets	4,678	70,753	(8,904)	243,428
Other, net	(5,745)	(5,606)	6,501	(14,174)
Net cash provided by operating activities	198,248	273,006	337,232	762,800
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	(955,821)	12,100	636,587	364,623
Proceeds from maturities and paydowns of investment securities held-to-maturity	20,796	14,404	58,921	95,841
Purchases of investment securities held-to-maturity	(14,964)	(8,121)	(78,228)	(128,089)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	374,973	246,147	1,417,234	864,643
Purchases of investment securities available-for-sale	(451,212)	(408,333)	(1,125,036)	(1,019,454)
Loans purchased	(251,325)	—	(251,325)	—
Net loan and lease collections (originations)	134,871	(107,808)	(472,459)	(697,132)
Net purchases of premises and equipment	(26,153)	(20,905)	(138,884)	(63,438)
Proceeds from sales of other real estate owned	8,200	27,417	37,112	80,076
Net cash received from divestitures	—	3,786	—	3,786
Other, net	12,799	(62)	19,796	19,972
Net cash provided by (used in) investing activities	(1,147,836)	(241,375)	103,718	(479,172)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	594,722	653,311	(96,544)	(463,707)
Net change in short-term funds borrowed	(66,603)	17,159	(148,550)	(78,848)
Proceeds from issuance of long-term debt	—	116,461	—	484,408
Repayments of long-term debt	(834,964)	(153)	(1,196,123)	(570,167)
Debt extinguishment costs paid	(35,435)	—	(35,435)	(23,305)
Cash paid for preferred stock redemption	—	(799,468)	—	(799,468)
Proceeds from issuances of common and preferred stock	519,559	200,040	524,080	792,557
Dividends paid on common and preferred stock	(23,243)	(34,935)	(71,191)	(94,214)

Other, net	112	(2,061)	(3,579)	(7,709)
Net cash provided by (used in) financing activities	154,148	150,354	(1,027,342)	(760,453)
Net increase (decrease) in cash and due from banks	(795,440)	181,985	(586,392)	(476,825)
Cash and due from banks at beginning of period	1,384,131	1,183,097	1,175,083	1,841,907
Cash and due from banks at end of period	$588,691	$1,365,082	$588,691	$1,365,082
Cash paid for interest	$41,138	$45,134	$122,807	$149,047
Net cash paid for income taxes	58,645	32,453	181,301	156,456

See accompanying notes to consolidated financial statements.

7

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
September 30, 2014

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation ("the Parent") and its majority-owned subsidiaries (collectively "the Company," "Zions," "we," "our," "us") have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. References to GAAP, including standards 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"), which include consensus issues of the Emerging Issues Task Force ("EITF"). In certain cases, ASUs are issued jointly with International Financial Reporting Standards ("IFRS"). Certain prior period amounts have been reclassified to conform with the current period presentation.

Operating results for the three and nine months ended September 30, 2014 and 2013 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2013 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 2013 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through subsidiary banks in 11 Western and Southwestern states as follows: Zions First National Bank ("Zions Bank"), in Utah, Idaho and Wyoming; California Bank & Trust ("CB&T"); Amegy Corporation ("Amegy") and its subsidiary, Amegy Bank, in Texas; National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; The Commerce Bank of Washington ("TCBW"); and The Commerce Bank of Oregon ("TCBO"). The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. The new standard was issued jointly with IFRS and creates a single source of revenue recognition guidance across all companies in all industries. The core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The banking industry does not expect significant changes because major sources of revenue are from financial instruments that have been excluded from the scope of the new guidance, (including loans, derivatives, debt and equity securities, etc.). However, the new guidance affects other fees charged by banks, such as asset management fees, credit card interchange fees, deposit account fees, etc. For public companies, adoption is required for interim or annual periods beginning after December 15, 2016, with no early adoption permitted. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Management is currently evaluating the impact this new guidance may have on the Company's financial statements.
In January 2014, the FASB issued ASU 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. This new guidance under ASC 310-40, Receivables – Troubled Debt Restructurings by Creditors, clarifies that a creditor should be considered to have physical possession of a residential real estate property collateralizing a residential mortgage loan and thus would reclassify the loan to other real estate owned when certain conditions are satisfied. The new amendments will require additional financial

statement disclosures and may be applied on either a prospective or a modified retrospective basis, with early adoption permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management does not currently believe this new guidance will have a significant effect on the Company's financial statement disclosures.

In January 2014, the FASB issued ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects. This new accounting guidance under ASC 323, Investments – Equity Method and Joint Ventures, revised the conditions that an entity must meet to elect to use the effective yield method when accounting for qualified affordable housing project investments. The final consensus of the EITF changed the method of amortizing a Low-Income Housing Tax Credit ("LIHTC") investment from the effective yield method to a proportional amortization method. The amortization would be proportional to the tax credits and tax benefits received but, under a practical expedient that would be available in certain circumstances, amortization could be proportional to only the tax credits. Reporting entities that invest in LIHTC investments through a limited liability entity could elect the proportional amortization method if certain conditions are met. The guidance would not extend to other types of tax credit investments. The final consensus would be applied retrospectively with early adoption and other adjustments permitted. For public companies, adoption is required for interim or annual periods beginning after December 15, 2014. Management does not currently believe this new guidance will have a significant effect on the Company's financial statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Loans and leases transferred to other real estate owned	$8,954	$12,098	$20,197	$52,916
Loans and leases transferred to (from) loans held for sale	(9,658)	(113)	(14,739)	36,301
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	—	—	5	206
Subordinated debt converted to preferred stock	—	—	31	1,210
Preferred stock transferred to common stock as a result of the Series C preferred stock redemption	—	580	—	580
Preferred stock/beneficial conversion feature transferred to retained earnings as a result of the Series C preferred stock redemption	—	125,700	—	125,700

4. OFFSETTING ASSETS AND LIABILITIES

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

(In thousands)	September 30, 2014					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
	$355,844	$—	$355,844	$—	$ —	$355,844

Federal funds sold and security resell agreements						
Derivatives (included in other assets)	54,720	—	54,720	(5,701)	250	49,269
	$410,564	$—	$410,564	$(5,701)	$ 250	$405,113
Liabilities:						
Federal funds and other short-term borrowings	$191,798	$—	$191,798	$—	$ —	$191,798
Derivatives (included in other liabilities)	56,036	—	56,036	(5,701)	(27,362)	22,973
	$247,834	$—	$247,834	$(5,701)	$ (27,362)	$214,771

9

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013			Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$282,248	$—	$282,248	$—	$ —	$282,248
Derivatives (included in other assets)	65,683	—	65,683	(11,650)	2,210	56,243
	$347,931	$—	$347,931	$(11,650)	$ 2,210	$338,491
Liabilities:						
Federal funds and other short-term borrowings	$340,348	$—	$340,348	$—	$ —	$340,348
Derivatives (included in other liabilities)	68,397	—	68,397	(11,650)	(26,997)	29,750
	$408,745	$—	$408,745	$(11,650)	$ (26,997)	$370,098

Security resell and repurchase agreements are offset, when applicable, in the balance sheet according to master netting agreements. Security repurchase agreements are included with “Federal funds and other short-term borrowings.” Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company’s balance sheet. See Note 7 for further information regarding derivative instruments.

5. INVESTMENT SECURITIES

Investment securities are summarized below. Note 10 discusses the process to estimate fair value for investment securities.

	September 30, 2014						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$570,527	$—	$—	$570,527	$14,096	$ 829	$583,794
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,302	—	40,171 [2]	39,131	20,465	961	58,635
Other debt securities	100	—	—	100	—	—	100
	649,929	—	40,171	609,758	34,561	1,790	642,529
Available-for-sale							
U.S. Treasury securities	1,530	16	—	1,546			1,546
U.S. Government agencies and corporations:							

Agency securities	617,844	1,992	7,861	611,975	611,975
Agency guaranteed mortgage-backed securities	465,516	10,593	596	475,513	475,513
Small Business Administration loan-backed securities	1,507,510	18,005	6,139	1,519,376	1,519,376
Municipal securities	187,792	1,300	731	188,361	188,361
Asset-backed securities:					
Trust preferred securities – banks and insurance	708,716	9,071	129,284	588,503	588,503
Auction rate securities	5,596	118	—	5,714	5,714
Other	635	153	—	788	788
	3,495,139	41,248	144,611	3,391,776	3,391,776
Mutual funds and other	173,863	55	2,286	171,632	171,632
	3,669,002	41,303	146,897	3,563,408	3,563,408
Total	$4,318,931	$41,303	$187,068	$4,173,166	$4,205,937

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

[1] Other comprehensive income

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

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of September 30, 2014 by expected maturity distribution for collateralized debt obligations (“CDOs”) and by contractual maturity for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

Due in one year or less	$77,219	$77,458	$528,660	$519,418
Due after one year through five years	199,307	205,355	1,328,670	1,323,839
Due after five years through ten years	139,558	143,066	805,257	797,432
Due after ten years	233,845	216,650	832,552	751,087
	$649,929	$642,529	$3,495,139	$3,391,776

11

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	September 30, 2014					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$275	$15,546	$554	$17,334	$829	$32,880
Asset-backed securities:						
Trust preferred securities – banks and insurance	54	92	41,078	58,543	41,132	58,635
	329	15,638	41,632	75,877	41,961	91,515
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	6,936	336,846	925	25,295	7,861	362,141
Agency guaranteed mortgage-backed securities	264	87,575	332	15,809	596	103,384
Small Business Administration loan-backed securities	3,741	426,197	2,398	127,107	6,139	553,304
Municipal securities	164	23,538	567	4,381	731	27,919
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	129,284	507,065	129,284	507,065
Auction rate securities	—	—	—	—	—	—
	11,105	874,156	133,506	679,657	144,611	1,553,813
Mutual funds and other	664	27,817	1,622	48,471	2,286	76,288
	11,769	901,973	135,128	728,128	146,897	1,630,101
Total	$12,098	$917,611	$176,760	$804,005	$188,858	$1,721,616

	December 31, 2013					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$4,025	$70,400	$591	$9,103	$4,616	$79,503
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	42,901	51,319	42,901	51,319
	4,025	70,400	43,492	60,422	47,517	130,822
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	828	47,862	73	5,874	901	53,736
	1,231	64,533	6	935	1,237	65,468

Agency guaranteed mortgage-backed securities						
Small Business Administration loan-backed securities	1,709	187,680	1,062	39,256	2,771	226,936
Municipal securities	73	8,834	417	3,179	490	12,013
Asset-backed securities:						
Trust preferred securities – banks and insurance	2,539	51,911	280,304	847,990	282,843	899,901
Auction rate securities	5	1,609	21	892	26	2,501
	6,385	362,429	281,883	898,126	288,268	1,260,555
Mutual funds and other	943	24,057	6,478	103,614	7,421	127,671
	7,328	386,486	288,361	1,001,740	295,689	1,388,226
Total	$11,353	$456,886	$331,853	$1,062,162	$343,206	$1,519,048

At September 30, 2014 and December 31, 2013, respectively, 53 and 157 HTM and 395 and 317 AFS investment securities were in an unrealized loss position.

Table of Contents

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

Noncredit-related OTTI in securities we intend to sell is recognized in earnings as is any credit-related OTTI in securities, regardless of our intent. Noncredit-related OTTI on AFS securities not expected to be sold is recognized in OCI. The amount of noncredit-related OTTI in a security is quantified as the difference in a security's amortized cost after adjustment for credit impairment, and its lower fair value. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI is accreted using the effective interest rate method to the credit-adjusted expected cash flow amounts of the securities over future periods.

Effect of Volcker Rule, CDO Sales and Paydowns
On December 10, 2013, the final Volcker Rule ("VR") was published pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The VR significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. On January 14, 2014, the VR's application to certain CDO securities was revised by an Interim Final Rule ("IFR") related primarily to bank trust preferred CDO securities.

Certain of the Company's CDO securities backed primarily by insurance trust preferred securities, real estate investment trust ("REIT") securities, and asset-backed securities ("ABS") became disallowed to be held effective July 21, 2015 under the VR and the IFR. This regulatory change resulted in the Company no longer being able to hold these securities to maturity. Further, to reduce the risk profile of the portfolio, we determined as of December 31, 2013 an intent to sell certain disallowed as well as other allowed CDO securities.

During the first quarter of 2014, we recorded a total of $993 million par amount of sales and paydowns of CDO securities. Included in this amount were $631 million par amount that had been identified for sale as of December 31, 2013 and their amortized cost was adjusted to fair value as of that date. Another $301 million par amount of primarily insurance CDOs were not adjusted to fair value at December 31, 2013 because the Company did not, at that date, intend to sell these securities. Net gains for the first quarter were approximately $31 million.

During the second quarter of 2014, we recorded $25 million par amount of paydowns of CDO securities, which resulted in gains of approximately $5 million. No CDO securities were sold during the second quarter.

During the third quarter of 2014, we recorded $37 million par amount of paydowns of CDO securities, which resulted in gains of approximately $5 million. We sold $239 million par amount ($174 million amortized cost) of CDO securities, resulting in losses of $19 million.

See discussion following regarding certain private equity and other noninterest-bearing investments that are prohibited by the Volcker Rule.

13

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

OTTI Conclusions
Our 2013 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation according to the security type that has significant gross unrealized losses at September 30, 2014:

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

1) Market yield requirements for bank CDO securities remain elevated. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option, which each collateral issuer maintains during the life of the CDO, and the payment in kind ("PIK") feature described subsequently. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains substantially higher than the contractual interest rates. CDO tranches backed by bank trust preferred securities continue to be characterized by uncertainty surrounding collateral behavior, specifically including, but not limited to, prepayments; the future number, size and timing of bank failures; holding company bankruptcies; and allowed deferrals and subsequent resumption of payment or default due to nonpayment of contractual interest.
2) Structural features of the collateral make these CDO tranches difficult for market participants to model. The first feature unique to bank CDOs is the interest deferral feature previously noted. Throughout the crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals are likely to either transition to default or, alternatively, come current prior to the five-year deadline is extremely difficult for market participants to assess.

A second structural feature that is difficult to model is the PIK feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured.

3) Although we continue to see ratings upgrades of securities held in our CDO portfolio every quarter, the ratings from one NRSRO remain below-investment-grade for even some of the most senior tranches that originally were rated AAA. Ratings on a number of CDO tranches vary significantly among rating agencies. The presence of a below-investment-grade rating by even a single rating agency generally reduces 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.

Our ongoing review of these securities determined that no OTTI should be recorded in the third quarter of 2014. For year-to-date, an immaterial amount was recorded in the first quarter of 2014.

The following is a tabular rollforward of the total amount of credit-related OTTI:

(In thousands)	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(9,079)	$(163,914)	$(172,993)	$(9,052)	$(176,833)	$(185,885)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	—	—	—	—	—
Additional credit-related OTTI on securities previously impaired	—	—	—	(27)	—	(27)
Subtotal of amounts recognized in earnings	—	—	—	(27)	—	(27)
Reductions for securities sold or paid off during the period	—	44,929	44,929	—	57,848	57,848
Balance of credit-related OTTI at end of period	$(9,079)	$(118,985)	$(128,064)	$(9,079)	$(118,985)	$(128,064)

(In thousands)	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$(13,952)	$(406,577)	$(420,529)	$(13,549)	$(394,494)	$(408,043)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	(168)	(168)	(403)	(168)	(571)
Additional credit-related OTTI on securities previously impaired	—	(8,899)	(8,899)	—	(22,830)	(22,830)
Subtotal of amounts recognized in earnings	—	(9,067)	(9,067)	(403)	(22,998)	(23,401)
Reductions for securities sold or paid off during the period	—	—	—	—	1,848	1,848
Balance of credit-related OTTI at end of period	$(13,952)	$(415,644)	$(429,596)	$(13,952)	$(415,644)	$(429,596)

To determine the credit component of OTTI for all security types, we utilize projected cash flows. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are utilized. In addition, certain internal and external models may be utilized. See Note 10 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows.

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
HTM	$—	$—	$—	$16,114
AFS	—	1,403	—	7,358
	$—	$1,403	$—	$23,472

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	Three Months Ended				Nine Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
(In thousands)	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$2	$—	$32	$—	$2	$27	$63	$403
Available-for-sale	5,873	20,063	1,551	9,070	83,466	62,948	7,989	27,324
Other noninterest-bearing investments:								
Nonmarketable equity securities	5,911	5,184	4,802	1,637	10,568	5,184	9,868	1,662
	11,786	25,247	6,385	10,707	94,036	68,159	17,920	29,389
Net gains (losses)		$(13,461)		$(4,322)		$25,877		$(11,469)
Statement of income information:								
Net impairment losses on investment securities		$—		$(9,067)		$(27)		$(23,401)
Equity securities gains, net		440		3,165		3,865		8,206
Fixed income securities gains (losses), net		(13,901)		1,580		22,039		3,726
Net gains (losses)		$(13,461)		$(4,322)		$25,877		$(11,469)

Gross gains for nonmarketable equity securities in the three months ended September 30, 2014 included approximately $4.4 million resulting from the sale of $6.5 million of private equity and other noninterest-bearing investments that are prohibited by the Volcker Rule. At September 30, 2014, the remaining amount of these prohibited investments was approximately $51 million. We are taking steps to sell these investments by the required deadline of July 21, 2015. We do not expect that the total result of such sales will ultimately have a material effect on the Company's financial statements. See further discussions in Notes 10 and 11.

Interest income by security type is as follows:

(In thousands)	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,597	$2,805	$6,402	$11,146	$8,448	$19,594
Available-for-sale	16,895	677	17,572	54,099	1,829	55,928
Trading	403	—	403	1,451	—	1,451
	$20,895	$3,482	$24,377	$66,696	$10,277	$76,973

(In thousands)	Three Months Ended September 30, 2013			Nine Months Ended September 30, 2013		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$4,872	$2,867	$7,739	$14,957	$8,602	$23,559
Available-for-sale	16,425	492	16,917	52,115	1,542	53,657
Trading	210	—	210	687	—	687
	$21,507	$3,359	$24,866	$67,759	$10,144	$77,903

Securities with a carrying value of $1.2 billion at September 30, 2014 and $1.5 billion at December 31, 2013 were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

6. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	September 30, 2014	December 31, 2013
Loans held for sale	$109,139	$171,328
Commercial:		
Commercial and industrial	$12,896,517	$12,481,083
Leasing	404,542	387,929
Owner occupied	7,334,498	7,437,195
Municipal	517,953	449,418
Total commercial	21,153,510	20,755,625
Commercial real estate:		
Construction and land development	1,892,723	2,182,821
Term	8,165,723	8,005,837
Total commercial real estate	10,058,446	10,188,658
Consumer:		
Home equity credit line	2,255,172	2,133,120
1-4 family residential	5,152,872	4,736,665
Construction and other consumer real estate	350,248	324,922
Bankcard and other revolving plans	388,588	356,240
Other	190,518	197,864
Total consumer	8,337,398	7,748,811
FDIC-supported/PCI loans	190,441	350,271
Total loans	$39,739,795	$39,043,365

Loan balances are presented net of unearned income and fees, which amounted to $147.3 million at September 30, 2014 and $141.7 million at December 31, 2013.

Owner occupied and commercial real estate ("CRE") loans include unamortized premiums of approximately $39.2 million at September 30, 2014 and $47.2 million at December 31, 2013.

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.

Land development loans included in the construction and land development loan class were $497.9 million at September 30, 2014 and $561.3 million at December 31, 2013.

FDIC-supported loans were acquired during 2009 and, prior to October 1, 2014, were indemnified by the Federal Deposit Insurance Corporation ("FDIC") under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased credit-impaired ("PCI") loans accounted for at their carrying values rather than their outstanding balances. See subsequent discussion under Purchased Loans.

Loans with a carrying value of approximately $23.2 billion at September 30, 2014 and $23.0 billion at December 31, 2013 have been pledged at the Federal Reserve and various Federal Home Loan Banks ("FHLB") as collateral for current and potential borrowings. Note 8 presents the balance of FHLB advances made to the Company against this pledged collateral.

We sold loans with a carrying value of $341.3 million and $939.0 million for the three and nine months ended September 30, 2014, and $421.0 million and $1,315.3 million for the three and nine months ended September 30, 2013, respectively, that were classified as loans held for sale. The sold loans were derecognized from the balance sheet. Loans classified as loans held for sale primarily consist of conforming residential mortgages. The principal balance of sold loans for which we retain servicing was approximately $1.2 billion at both September 30, 2014 and December 31, 2013.

Amounts added to loans held for sale during these periods were $297.8 million and $894.9 million for the three and nine months ended September 30, 2014, and $374.2 million and $1,152.0 million for the three and nine months ended September 30, 2013, respectively. Income from loans sold, excluding servicing, was $4.2 million and $11.3 million for the three and nine months ended September 30, 2014, and $5.4 million and $22.0 million for the three and nine months ended September 30, 2013, respectively.

During the third quarter of 2014, construction and land development loans decreased by $447 million due to conversions to term loans, and increased syndication and participation arrangements. Additionally, 1-4 family residential loans increased by $326 million, primarily due to the purchase of $249 million par amount of high quality jumbo ARM loans from another bank. Management took these actions to improve the risk profile of the Company's loans and reduce portfolio concentration risk.

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

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

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for impaired loans is discussed subsequently. For the commercial and CRE segments, we use a comprehensive loan grading system to assign probability of default ("PD") and loss given default ("LGD") grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. In addition, loan officers utilize "expert judgment" in assigning PD and LGD grades, subject to confirmation of the PD and LGD by either credit risk or credit examination. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to these loan grade groupings over the period of January 2008 through the most recent full quarter.
For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience by segmenting our consumer loan portfolio into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses. Roll rates incorporate housing market trends inasmuch as these trends manifest themselves in charge-offs and delinquencies. In addition, our qualitative and environmental factors discussed subsequently incorporate the most recent housing market trends.

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

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

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio
- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions
- Data availability and applicability
- Effects of other external factors

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

During the three and nine months ended September 30, the provision for loan losses was $(54.6) million and $(109.7) million in 2014, and $(5.6) million and $(56.6) million in 2013, respectively. The negative provisions are due to continued significant improvement in portfolio-specific credit quality metrics, sustained improvement in broader economic and credit quality indicators, and changes in the portfolio mix resulting from the construction and land development loan participations and the jumbo ARM loan purchase previously discussed.

Reserve for Unfunded Lending Commitments

We also estimate a reserve for potential losses associated with off-balance sheet commitments, including 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.

During the three and nine months ended September 30, the provision for unfunded lending commitments was $(16.1) million and $(10.3) million in 2014, and $(19.9) million and $(22.7) million in 2013, respectively. The negative provisions are due to the same reasons as the provision for loan losses previously discussed.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$440,234	$187,261	$44,535	$ 3,877	$675,907
Additions:					
Provision for loan losses	(20,073)	(34,179)	(422)	31	(54,643)
Adjustment for FDIC-supported/PCI loans				(25)	(25)
Deductions:					
Gross loan and lease charge-offs	(18,575)	(3,320)	(3,061)	(1,515)	(26,471)
Recoveries	8,870	3,332	3,028	279	15,509
Net loan and lease charge-offs	(9,705)	12	(33)	(1,236)	(10,962)
Balance at end of period	$410,456	$153,094	$44,080	$ 2,647	$610,277
Reserve for unfunded lending commitments:					
Balance at beginning of period	$52,801	$38,689	$3,982	$ —	$95,472
Provision charged (credited) to earnings	1,651	(14,390)	(3,356)	—	(16,095)
Balance at end of period	$54,452	$24,299	$626	$ —	$79,377
Total allowance for credit losses at end of period:					
Allowance for loan losses	$410,456	$153,094	$44,080	$ 2,647	$610,277
Reserve for unfunded lending commitments	54,452	24,299	626	—	79,377
Total allowance for credit losses	$464,908	$177,393	$44,706	$ 2,647	$689,654

	Nine Months Ended September 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$465,145	$213,363	$60,865	$ 6,918	$746,291
Additions:					
Provision for loan losses	(38,269)	(55,094)	(14,522)	(1,784)	(109,669)
Adjustment for FDIC-supported/PCI loans	—	—	—	(1,286)	(1,286)
Deductions:					
Gross loan and lease charge-offs	(42,702)	(14,135)	(10,433)	(3,396)	(70,666)
Recoveries	26,282	8,960	8,170	2,195	45,607
Net loan and lease charge-offs	(16,420)	(5,175)	(2,263)	(1,201)	(25,059)
Balance at end of period	$410,456	$153,094	$44,080	$ 2,647	$610,277
Reserve for unfunded lending commitments:					
Balance at beginning of period	$48,345	$37,485	$3,875	$ —	$89,705
Provision charged (credited) to earnings	6,107	(13,186)	(3,249)	—	(10,328)
Balance at end of period	$54,452	$24,299	$626	$ —	$79,377
Total allowance for credit losses at end of period:					
Allowance for loan losses	$410,456	$153,094	$44,080	$ 2,647	$610,277

Reserve for unfunded lending commitments	54,452	24,299	626	—	79,377
Total allowance for credit losses	$464,908	$177,393	$44,706	$ 2,647	$689,654

ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended September 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$486,353	$251,278	$70,366	$ 5,915	$813,912
Additions:					
Provision for loan losses	(1,768)	(4,520)	569	146	(5,573)
Adjustment for FDIC-supported/PCI loans	—	—	—	(2,118)	(2,118)
Deductions:					
Gross loan and lease charge-offs	(11,465)	(5,738)	(5,535)	(88)	(22,826)
Recoveries	6,155	2,988	3,109	1,876	14,128
Net loan and lease charge-offs	(5,310)	(2,750)	(2,426)	1,788	(8,698)
Balance at end of period	$479,275	$244,008	$68,509	$ 5,731	$797,523
Reserve for unfunded lending commitments:					
Balance at beginning of period	$63,272	$39,454	$1,356	$ —	$104,082
Provision charged (credited) to earnings	(16,133)	(6,010)	2,208	—	(19,935)
Balance at end of period	$47,139	$33,444	$3,564	$ —	$84,147
Total allowance for credit losses at end of period:					
Allowance for loan losses	$479,275	$244,008	$68,509	$ 5,731	$797,523
Reserve for unfunded lending commitments	47,139	33,444	3,564	—	84,147
Total allowance for credit losses	$526,414	$277,452	$72,073	$ 5,731	$881,670

	Nine Months Ended September 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI [1]	Total
Allowance for loan losses:					
Balance at beginning of period	$510,908	$276,976	$95,656	$ 12,547	$896,087
Additions:					
Provision for loan losses	(10,179)	(34,370)	(12,725)	676	(56,598)
Adjustment for FDIC-supported/PCI loans	—	—	—	(9,756)	(9,756)
Deductions:					
Gross loan and lease charge-offs	(48,073)	(19,069)	(24,574)	(1,676)	(93,392)
Recoveries	26,619	20,471	10,152	3,940	61,182
Net loan and lease charge-offs	(21,454)	1,402	(14,422)	2,264	(32,210)
Balance at end of period	$479,275	$244,008	$68,509	$ 5,731	$797,523
Reserve for unfunded lending commitments:					
Balance at beginning of period	$67,374	$37,852	$1,583	$ —	$106,809
Provision charged (credited) to earnings	(20,235)	(4,408)	1,981	—	(22,662)
Balance at end of period	$47,139	$33,444	$3,564	$ —	$84,147
Total allowance for credit losses at end of period:					
Allowance for loan losses	$479,275	$244,008	$68,509	$ 5,731	$797,523
Reserve for unfunded lending commitments	47,139	33,444	3,564	—	84,147
Total allowance for credit losses	$526,414	$277,452	$72,073	$ 5,731	$881,670

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

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	September 30, 2014				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported/PCI	Total
Allowance for loan losses:					
Individually evaluated for impairment	$30,239	$5,874	$9,072	$ —	$45,185
Collectively evaluated for impairment	380,217	147,220	35,008	41	562,486
Purchased loans with evidence of credit deterioration	—	—	—	2,606	2,606
Total	$410,456	$153,094	$44,080	$ 2,647	$610,277
Outstanding loan balances:					
Individually evaluated for impairment	$270,559	$183,579	$94,360	$ 5	$548,503
Collectively evaluated for impairment	20,882,951	9,874,867	8,243,038	5,480	39,006,336
Purchased loans with evidence of credit deterioration	—	—	—	184,956	184,956
Total	$21,153,510	$10,058,446	$8,337,398	$ 190,441	$39,739,795

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

Nonaccrual and Past Due Loans

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

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

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

ZIONS BANCORPORATION AND SUBSIDIARIES

Nonaccrual loans are summarized as follows:

(In thousands)	September 30, 2014	December 31, 2013
Commercial:		
Commercial and industrial	$87,810	$97,960
Leasing	369	757
Owner occupied	97,749	136,281
Municipal	8,684	9,986
Total commercial	194,612	244,984
Commercial real estate:		
Construction and land development	22,728	29,205
Term	29,704	60,380
Total commercial real estate	52,432	89,585
Consumer:		
Home equity credit line	11,756	8,969
1-4 family residential	43,445	53,002
Construction and other consumer real estate	2,037	3,510
Bankcard and other revolving plans	254	1,365
Other	140	804
Total consumer loans	57,632	67,650
FDIC-supported/PCI loans	2,554	4,394
Total	$307,230	$406,613

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

(In thousands)	September 30, 2014 Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Commercial:							
Commercial and industrial	$12,819,580	$36,177	$40,760	$76,937	$12,896,517	$2,157	$45,530
Leasing	404,501	15	26	41	404,542	—	343
Owner occupied	7,270,149	26,660	37,689	64,349	7,334,498	1,969	54,316
Municipal	517,953	—	—	—	517,953	—	8,684
Total commercial	21,012,183	62,852	78,475	141,327	21,153,510	4,126	108,873
Commercial real estate:							
Construction and land development	1,881,153	1,965	9,605	11,570	1,892,723	—	13,002
Term	8,126,717	22,052	16,954	39,006	8,165,723	852	12,040
Total commercial real estate	10,007,870	24,017	26,559	50,576	10,058,446	852	25,042
Consumer:							
Home equity credit line	2,241,766	3,625	9,781	13,406	2,255,172	—	1,534
1-4 family residential	5,119,368	8,818	24,686	33,504	5,152,872	1,623	16,619
Construction and other consumer real estate	348,408	617	1,223	1,840	350,248	585	1,329
	385,918	1,755	915	2,670	388,588	771	65

Bankcard and other revolving plans							
Other	189,921	537	60	597	190,518	17	93
Total consumer loans	8,285,381	15,352	36,665	52,017	8,337,398	2,996	19,640
FDIC-supported/PCI loans	160,850	4,301	25,290	29,591	190,441	22,781	—
Total	$39,466,284	$106,522	$166,989	$273,511	$39,739,795	$30,755	$153,555

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2013 Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Commercial:							
Commercial and industrial	$12,387,546	$48,811	$44,726	$93,537	$12,481,083	$1,855	$52,412
Leasing	387,526	173	230	403	387,929	36	563
Owner occupied	7,357,618	36,718	42,859	79,577	7,437,195	744	82,072
Municipal	440,608	3,307	5,503	8,810	449,418	—	1,176
Total commercial	20,573,298	89,009	93,318	182,327	20,755,625	2,635	136,223
Commercial real estate:							
Construction and land development	2,162,018						