ZIONS BANCORPORATION /UT/
Form 10-Q
August 05, 2016

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 June 30, 2016

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 July 29, 2016 205,110,866 shares

ZIONS BANCORPORATION AND SUBSIDIARIES
Table of Contents

Table of Contents

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

(In thousands, except shares)	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	$560,262	$798,319
Money market investments:		
Interest-bearing deposits	2,154,959	6,108,124
Federal funds sold and security resell agreements	620,469	619,758
Investment securities:		
Held-to-maturity, at amortized cost (approximate fair value $720,991 and $552,088)	713,392	545,648
Available-for-sale, at fair value	9,477,089	7,643,116
Trading account, at fair value	118,775	48,168
	10,309,256	8,236,932
Loans held for sale	146,512	149,880
Loans and leases, net of unearned income and fees	42,501,575	40,649,542
Less allowance for loan losses	608,345	606,048
Loans held for investment, net of allowance	41,893,230	40,043,494
Other noninterest-bearing investments	850,578	848,144
Premises and equipment, net	955,540	905,462
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	12,281	16,272
Other real estate owned	8,354	7,092
Other assets	1,117,422	916,937
	$59,642,992	$59,664,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$22,276,600	$22,276,664
Interest-bearing:		
Savings and money market	25,540,525	25,672,356
Time	2,336,088	2,130,680
Foreign	117,708	294,391
	50,270,921	50,374,091
Federal funds and other short-term borrowings	270,255	346,987
Long-term debt	698,712	812,366
Reserve for unfunded lending commitments	64,780	74,838
Other liabilities	711,941	548,742
Total liabilities	52,016,609	52,157,024
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	709,601	828,490
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 205,103,566 and 204,417,093 shares	4,783,061	4,766,731
Retained earnings	2,110,069	1,966,910
Accumulated other comprehensive income (loss)	23,652	(54,612)
Total shareholders' equity	7,626,383	7,507,519

	$59,642,992	$59,664,543

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 June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Interest income:				
Interest and fees on loans	$433,743	$420,642	$854,251	$836,397
Interest on money market investments	5,564	5,785	12,593	11,003
Interest on securities	47,645	28,809	95,009	56,282
Total interest income	486,952	455,236	961,853	903,682
Interest expense:				
Interest on deposits	11,869	12,321	23,714	24,425
Interest on short- and long-term borrowings	10,234	19,211	20,448	38,207
Total interest expense	22,103	31,532	44,162	62,632
Net interest income	464,849	423,704	917,691	841,050
Provision for loan losses	34,492	566	76,637	(928)
Net interest income after provision for loan losses	430,357	423,138	841,054	841,978
Noninterest income:				
Service charges and fees on deposit accounts	42,108	41,616	83,369	82,810
Other service charges, commissions and fees	51,906	46,602	101,380	89,604
Wealth management income	8,788	8,160	16,742	15,775
Loan sales and servicing income	10,178	8,382	18,157	16,088
Capital markets and foreign exchange	4,545	7,275	10,212	12,776
Dividends and other investment income	6,226	9,343	10,865	18,715
Fair value and nonhedge derivative income (loss)	(1,910)	1,844	(4,495)	756
Equity securities gains, net	2,709	4,839	2,159	8,192
Fixed income securities gains (losses), net	25	(138,436)	53	(138,675)
Other	1,142	5,693	4,036	6,615
Total noninterest income	125,717	(4,682)	242,478	112,656
Noninterest expense:				
Salaries and employee benefits	241,341	251,133	499,679	494,652
Occupancy, net	29,621	30,095	59,400	59,434
Furniture, equipment and software	30,550	31,247	62,565	60,960
Other real estate expense, net	(527)	(445)	(1,856)	(71)
Credit-related expense	5,845	8,106	11,779	14,045
Provision for unfunded lending commitments	(4,246)	(2,326)	(10,058)	(1,115)
Professional and legal services	12,229	13,110	23,700	24,593
Advertising	5,268	6,511	10,896	13,486
FDIC premiums	9,580	8,609	16,734	16,728
Amortization of core deposit and other intangibles	1,979	2,318	3,993	4,676
Debt extinguishment cost	106	2,395	353	2,395
Other	50,148	48,244	100,282	102,191
Total noninterest expense	381,894	398,997	777,467	791,974
Income before income taxes	174,180	19,459	306,065	162,660
Income taxes	60,231	5,499	101,679	56,675
Net income	113,949	13,960	204,386	105,985
Dividends on preferred stock	(13,543)	(15,060)	(25,203)	(31,806)

Preferred stock redemption	(9,759)	—	(9,759)	—
Net earnings applicable to common shareholders	$90,647	$(1,100)	$169,424	$74,179
Weighted average common shares outstanding during the period:				
Basic shares	204,236	202,888	204,113	202,746
Diluted shares	204,536	202,888	204,317	203,295
Net earnings per common share:				
Basic	$0.44	$(0.01)	$0.82	$0.36
Diluted	0.44	(0.01)	0.82	0.36

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 June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Net income for the period	$113,949	$13,960	$204,386	$105,985
Other comprehensive income, net of tax:				
Net unrealized holding gains (losses) on investment securities	32,859	(7,294)	65,027	(6,808)
Reclassification of HTM securities to AFS securities	—	—	—	10,938
Reclassification to earnings for realized net fixed income securities losses (gains)	(16)	85,664	(33)	85,812
Net unrealized gains (losses) on other noninterest-bearing investments	(566)	2,339	(136)	1,975
Net unrealized holding gains (losses) on derivative instruments	4,850	(219)	17,751	2,334
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(1,822)	(753)	(3,680)	(1,382)
Pension and postretirement	—	—	(665)	—
Other comprehensive income	35,305	79,737	78,264	92,869
Comprehensive income	$149,254	$93,697	$282,650	$198,854

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)	Total shareholders' equity
Balance at December 31, 2015	$828,490	204,417,093	$4,766,731	$1,966,910	$(54,612)	$7,507,519
Net income for the period				204,386		204,386
Other comprehensive income, net of tax					78,264	78,264
Preferred stock redemption	(118,889)		2,504	(9,759)		(126,144)
Net activity under employee plans and related tax benefits		686,473	13,826			13,826
Dividends on preferred stock				(25,203)		(25,203)
Dividends on common stock, $0.12 per share				(24,753)		(24,753)
Change in deferred compensation				(1,512)		(1,512)
Balance at June 30, 2016	$709,601	205,103,566	$4,783,061	$2,110,069	$23,652	$7,626,383
Balance at December 31, 2014	$1,004,011	203,014,903	$4,723,855	$1,769,705	$(128,041)	$7,369,530
Net income for the period				105,985		105,985
Other comprehensive income, net of tax					92,869	92,869
Subordinated debt converted to preferred stock	21		(6)			15
Net activity under employee plans and related tax benefits		726,011	14,423			14,423
Dividends on preferred stock				(31,806)		(31,806)
Dividends on common stock, $0.10 per share				(20,444)		(20,444)
Change in deferred compensation				(397)		(397)
Balance at June 30, 2015	$1,004,032	203,740,914	$4,738,272	$1,823,043	$(35,172)	$7,530,175

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 June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	$113,949	$13,960	$204,386	$105,985
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	30,246	(1,760)	66,579	(2,043)
Depreciation and amortization	45,297	35,113	86,033	69,282
Fixed income securities losses (gains), net	(25)	138,436	(53)	138,675
Deferred income tax benefit	(6,109)	(44,431)	(10,789)	(41,029)
Net increase in trading securities	(52,937)	(2,899)	(70,607)	(3,920)
Net decrease (increase) in loans held for sale	(35,309)	(23,568)	3,257	(20,051)
Change in other liabilities	144,867	(61,829)	162,637	(36,263)
Change in other assets	(225,202)	32,079	(217,901)	(33,169)
Other, net	(2,973)	(70)	11,024	(3,619)
Net cash provided by operating activities	11,804	85,031	234,566	173,848
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	1,850,874	(754,443)	3,952,454	(501,169)
Proceeds from maturities and paydowns of investment securities held-to-maturity	10,415	21,587	32,451	60,910
Purchases of investment securities held-to-maturity	(92,161)	(1,485)	(200,302)	(24,061)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	475,056	751,373	2,573,582	980,267
Purchases of investment securities available-for-sale	(1,243,709)	(972,714)	(4,366,953)	(1,757,570)
Loans purchased	(104,066)	—	(104,066)	—
Other net change in loans held for investment	(1,018,557)	148,336	(1,826,915)	47,894
Purchases of premises and equipment	(51,859)	(33,835)	(91,874)	(67,368)
Proceeds from sales of other real estate owned	4,437	5,172	8,741	8,573
Other, net	10,825	25,974	260	29,325
Net cash used in investing activities	(158,745)	(810,035)	(22,622)	(1,223,199)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	406,633	813,764	(79,601)	1,089,049
Net change in short-term funds borrowed	38,067	23,527	(76,732)	(17,099)
Cash paid for preferred stock redemption	(126,144)	—	(126,144)	—
Repayments of long-term debt	(104,447)	(44,420)	(115,083)	(52,605)
Proceeds from the issuance of common stock	2,948	5,070	3,486	6,032
Dividends paid on common and preferred stock	(22,795)	(29,045)	(50,216)	(52,279)
Other, net	(4,862)	(6,512)	(5,711)	(7,451)
Net cash provided by (used in) financing activities	189,400	762,384	(450,001)	965,647
Net increase (decrease) in cash and due from banks	42,459	37,380	(238,057)	(83,704)
Cash and due from banks at beginning of period	517,803	720,858	798,319	841,942
Cash and due from banks at end of period	$560,262	$758,238	$560,262	$758,238

Cash paid for interest	$24,622	$28,938	$43,052	$51,057
Net cash paid for income taxes	101,512	92,326	101,428	91,826

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2016

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"). Changes to the ASC are made with Accounting Standards Updates ("ASU") that include consensus issues of the Emerging Issues Task Force ("EITF"). In certain cases, ASUs are issued jointly with International Financial Reporting Standards ("IFRS").

Operating results for the three and six months ended June 30, 2016 and 2015 are not necessarily indicative of the results that may be expected in future periods. 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. The consolidated balance sheet at December 31, 2015 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 2015 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform with the current period presentation. These reclassifications did not affect net income or shareholders' equity.

Zions Bancorporation is a financial holding company headquartered in Salt Lake City, Utah, and with its subsidiaries, provides a full range of banking and related services. Following the close of business on December 31, 2015, the Company completed the merger of its subsidiary banks and other subsidiaries into a single bank, ZB, N.A. The Company continues to manage its banking operations through seven separately managed and branded segments in 11 Western and Southwestern states as follows: Zions Bank, in Utah, Idaho and Wyoming; Amegy Bank ("Amegy"), in Texas; California Bank & Trust ("CB&T"); National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; and The Commerce Bank of Washington ("TCBW"), in Washington and Oregon. Pursuant to a Board resolution adopted November 21, 2014, The Commerce Bank of Oregon merged into TCBW following the close of business on March 31, 2015.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

2. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company			
ASU 2016-09, Stock Compensation (Topic 718): Improvements to Share-Based Payment Accounting	The standard requires entities to recognize the income tax effects of share-based payment awards in the income statement when the awards vest or are settled (i.e. the additional paid-in capital pools will be eliminated). The guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing. The standard also provides an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur.	January 1, 2017	We are currently evaluating the potential impact of this new guidance on the Company's financial statements.
ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The standard provides revised accounting guidance related to the accounting for and reporting of financial instruments. Some of the main provisions include: – Equity investments that do not result in consolidation and are not accounted for under the equity method would be measured at fair value through net income, unless they qualify for the proposed practicability exception for investments that do not have readily determinable fair values. – Changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option would be recognized in other comprehensive income. – Elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. However it will require the use of exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes.	January 1, 2018	We do not currently expect this new guidance will have a material impact on the Company's financial statements.
ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and subsequent related ASUs	The core principle of the new guidance 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 standard, (including loans, derivatives, debt and equity securities, etc.). However, these new standards affect other fees charged by banks, such as asset management fees, credit card	January 1, 2018	While we currently do not expect these standards will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.

	interchange fees, deposit account fees, etc. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Early adoption of the guidance is permitted as of January 1, 2017.		
ASU 2016-02, Leases (Topic 842)	The standard requires that a lessee recognize assets and liabilities for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, the standard will require both types of leases to be recognized on the balance sheet. It also requires disclosures to better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements.	January 1, 2019	We are currently evaluating the potential impact of this new guidance on the Company’s financial statements.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company (continued)			
ASU 2016-13, Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces today's "incurred loss" approach with an "expected loss" model for instruments such as loans and held-to-maturity securities that are measured at amortized cost. The standard requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses rather than a reduction of the carrying amount. It also changes the accounting for purchased credit-impaired debt securities and loans. The standard retains many of the current disclosure requirements in current GAAP and expands certain disclosure requirements. Early adoption of the guidance is permitted as of January 1, 2019.	January 1, 2020	While we expect this standard will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.
Standards adopted by the Company			
ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis	The new standard changes certain criteria in the variable interest model and the voting model to determine whether certain legal entities are variable interest entities ("VIEs") and whether they should be consolidated. Additional disclosures are required for entities not currently considered VIEs, but may become VIEs under the new guidance and may be subject to consolidation. Adoption may be retrospective or modified retrospective with a cumulative effect adjustment.	January 1, 2016	We currently do not consolidate any VIEs and our adoption of this standard did not have a material impact on the Company's financial statements.
ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	The standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with debt discounts. Adoption is retrospective.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.
ASU 2015-05, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees	The standard provides guidance to determine whether an arrangement includes a software license. If it does, the customer accounts for it the same way as for other software licenses. If no software license is included, the customer accounts for it as a service contract. Adoption may be retrospective or prospective.	January 1, 2016	We adopted this standard on a prospective basis and it did not have a material impact on the accompanying financial statements.

Paid in a Cloud Computing Arrangement			
ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)	The guidance eliminates the current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value (“NAV”) using the practical expedient in ASC 820. Fair value disclosure of these investments will be made to facilitate reconciliation to amounts reported on the balance sheet. Other related disclosures will continue when the NAV practical expedient is used. Adoption is retrospective.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

3. SUPPLEMENTAL CASH FLOW INFORMATION
Noncash activities are summarized as follows:

(In thousands)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Loans held for investment transferred to other real estate owned	$1,318	$3,084	$7,316	$6,652
Loans held for sale reclassified to (from) loans held for investment	1,912	(2,395)	3,888	10,743
Adjusted cost of HTM securities reclassified as AFS securities	—	—	—	79,276

4. OFFSETTING ASSETS AND LIABILITIES
Gross and net information for selected financial instruments in the balance sheet is as follows:

(In thousands)	June 30, 2016			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	$620,469	$ —	$620,469	$—	$ —	$620,469
Derivatives (included in other assets)	152,466	—	152,466	(28,496)	—	123,970
	$772,935	$ —	$772,935	$(28,496)	$ —	$744,439
Liabilities:						
Federal funds and other short-term borrowings	$270,255	$ —	$270,255	$—	$ —	$270,255
Derivatives (included in other liabilities)	127,757	—	127,757	(28,496)	(89,151)	10,110
	$398,012	$ —	$398,012	$(28,496)	$ (89,151)	$280,365

(In thousands)	December 31, 2015			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	$619,758	$ —	$619,758	$—	$ —	$619,758
Derivatives (included in other assets)	77,638	—	77,638	(6,990)		70,648
	$697,396	$ —	$697,396	$(6,990)	$ —	$690,406
Liabilities:						

Federal funds and other short-term borrowings	$346,987	$ —	$346,987	$—	$ —	$346,987
Derivatives (included in other liabilities)	72,568	—	72,568	(6,990)	(60,923)	4,655
	$419,555	$ —	$419,555	$(6,990)	$ (60,923)	$351,642

Security repurchase and reverse repurchase (“resell”) 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.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	June 30, 2016			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	$713,392	$ 12,522	$ 4,923	$720,991
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,668,158	28,570	600	1,696,128
Agency guaranteed mortgage-backed securities	4,869,173	46,097	4,827	4,910,443
Small Business Administration loan-backed securities	2,092,969	11,383	14,930	2,089,422
Municipal securities	659,432	14,144	309	673,267
Other debt securities	25,402	141	3,987	21,556
	9,315,134	100,335	24,653	9,390,816
Money market mutual funds and other	86,156	117	—	86,273
	9,401,290	100,452	24,653	9,477,089
Total	$10,114,682	$ 112,974	$ 29,576	$10,198,080

	December 31, 2015			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	$545,648	$ 11,218	$ 4,778	$552,088
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,231,740	4,313	2,658	1,233,395
Agency guaranteed mortgage-backed securities	3,964,593	7,919	36,037	3,936,475
Small Business Administration loan-backed securities	1,932,817	12,602	14,445	1,930,974
Municipal securities	417,374	2,177	856	418,695
Other debt securities	25,454	152	2,665	22,941
	7,571,978	27,163	56,661	7,542,480
Money market mutual funds and other	100,612	61	37	100,636
	7,672,590	27,224	56,698	7,643,116
Total	$8,218,238	$ 38,442	$ 61,476	$8,195,204

CDO Sales and Paydowns
During the second quarter of 2015, we sold the remaining portfolio of our collateralized debt obligation ("CDO") securities, or $574 million at amortized cost, and realized net losses of approximately $137 million. During the first quarter of 2015, we reclassified all of the remaining held-to-maturity ("HTM") CDO securities, or approximately $79 million at amortized cost, to Available-for-Sale ("AFS") securities. The reclassification resulted from increased risk weights for these securities under the new Basel III capital rules, and was made in accordance with applicable accounting guidance that allows for such reclassifications when increased risk weights of debt securities must be used for regulatory risk-based capital purposes. No gain or loss was recognized in the statement of income at the time of reclassification.

Maturities

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2016 by expected timing of principal payments. Actual principal payments may differ from contractual or expected

12

principal payments because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Principal return in one year or less	$72,693	$72,938	$1,295,398	$1,305,827
Principal return after one year through five years	247,119	251,539	3,773,685	3,801,514
Principal return after five years through ten years	234,328	239,120	2,720,386	2,753,721
Principal return after ten years	159,252	157,394	1,525,665	1,529,754
	$713,392	$720,991	$9,315,134	$9,390,816

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:

	June 30, 2016					
	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	$4,280	$145,639	$643	$12,387	$4,923	$158,026
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	87	23,856	513	125,850	600	149,706
Agency guaranteed mortgage-backed securities	1,004	271,185	3,823	386,971	4,827	658,156
Small Business Administration loan-backed securities	4,256	582,167	10,674	552,261	14,930	1,134,428
Municipal securities	45	24,682	264	13,879	309	38,561
Other	—	—	3,987	11,016	3,987	11,016
	5,392	901,890	19,261	1,089,977	24,653	1,991,867
Mutual funds and other	—	—	—	—	—	—
	5,392	901,890	19,261	1,089,977	24,653	1,991,867
Total	$9,672	$1,047,529	$19,904	$1,102,364	$29,576	$2,149,893

	December 31, 2015					
	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	$4,521	$122,197	$257	$13,812	$4,778	$136,009
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	2,176	559,196	482	131,615	2,658	690,811
Agency guaranteed mortgage-backed securities	34,583	3,639,824	1,454	65,071	36,037	3,704,895
Small Business Administration loan-backed securities	5,348	567,365	9,097	535,376	14,445	1,102,741
Municipal securities	735	102,901	121	5,733	856	108,634
Other	—	—	2,665	12,337	2,665	12,337

	42,842	4,869,286	13,819	750,132	56,661	5,619,418
Mutual funds and other	37	35,488	—	—	37	35,488
	42,879	4,904,774	13,819	750,132	56,698	5,654,906
Total	$47,400	$5,026,971	$14,076	$763,944	$61,476	$5,790,915

13

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

At June 30, 2016 and December 31, 2015, respectively, 135 and 187 HTM and 470 and 709 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

Ongoing Policy

We review 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 majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we have formed a documented intent to sell identified securities or initiated such sales; (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 other comprehensive income (“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.

OTTI Conclusions

Our 2015 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation by each security type that has significant gross unrealized losses at June 30, 2016:

Small Business Administration (“SBA”) Loan-Backed Securities: These securities were generally purchased at premiums with maturities from 5 to 25 years and have principal cash flows guaranteed by the SBA. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At June 30, 2016, we did not have an intent to sell identified SBA securities with unrealized losses or initiate such sales, and we believe it is more likely than not we would not be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during the second quarter of 2016.

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

(In thousands)	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$ —	$ —	$ —	$ —	$ —	$ —
Reductions for securities sold or paid off during the period	—	—	—	—	—	—
Reclassification of securities from HTM to AFS	—	—	—	—	—	—
Balance of credit-related OTTI at end of period	$ —	$ —	$ —	$ —	$ —	$ —

(In thousands)	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$—	$(103,238)	$(103,238)	$(9,079)	$(95,472)	$(104,551)
Reductions for securities sold or paid off during the period	—	103,238	103,238	—	104,551	104,551
Reclassification of securities from HTM to AFS	—	—	—	9,079	(9,079)	—
Balance of credit-related OTTI at end of period	$—	$—	$—	$—	$—	$—

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

(In thousands)	Three Months Ended				Six Months Ended			
	June 30, 2016		June 30, 2015		June 30, 2016		June 30, 2015	
	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$—	$—	$—	$—	$—	$—	$1	$—
Available-for-sale	30	5	7,402	146,315	60	7	8,360	147,513
Other noninterest-bearing investments	2,711	2	6,008	692	5,898	3,739	9,603	934
	2,741	7	13,410	147,007	5,958	3,746	17,964	148,447
Net gains (losses)	$2,734		$(133,597)		$2,212		$(130,483)	
Statement of income information:								
Equity securities gains, net	$2,709		$4,839		$2,159		$8,192	
Fixed income securities gains (losses), net	25		(138,436)		53		(138,675)	
Net gains (losses)	$2,734		$(133,597)		$2,212		$(130,483)	

Interest income by security type is as follows:

(In thousands)	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$2,572	$ 3,158	$5,730	$5,176	$ 5,884	$11,060
Available-for-sale	38,577	2,581	41,158	78,184	4,536	82,720
Trading	757	—	757	1,229	—	1,229
	$41,906	$ 5,739	$47,645	$84,589	$ 10,420	$95,009

(In thousands)	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total
Investment securities:						
Held-to-maturity	$3,093	$ 2,774	$5,867	$6,685	$ 5,636	$12,321
Available-for-sale	21,637	695	22,332	41,405	1,348	42,753
Trading	610	—	610	1,208	—	1,208
	$25,340	$ 3,469	$28,809	$49,298	$ 6,984	$56,282

Investment securities with a carrying value of $1.7 billion at June 30, 2016 and $2.3 billion at December 31, 2015 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.

Private Equity Investments

Effect of Volcker Rule

The Volcker Rule, as published pursuant to the Dodd-Frank Act in December 2013 and amended in January 2014, significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. The Company’s private equity investments (“PEIs”) consist of Small Business Investment Companies (“SBICs”) and non-SBICs. Following the sales of its CDO securities, the only prohibited investments under the Volcker Rule requiring divestiture by the Company were certain of its PEIs. Of the recorded PEIs of $133 million at June 30, 2016, approximately $7 million remain prohibited by the Volcker Rule.

15

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

As of June 30, 2016 we have sold a total of $18 million of PEIs during 2016 and 2015 as follows: $9 million during 2016 and $9 million during 2015. All of these sales were related to prohibited PEIs and resulted in insignificant amounts of realized gains or losses. We will dispose of the remaining $7 million of prohibited PEIs before the required deadline, which has been extended to July 21, 2017. See other discussions in Notes 10 and 11.
As discussed in Note 11, we have $20 million at June 30, 2016 of unfunded commitments for PEIs, of which approximately $2 million relate to prohibited PEIs. Until we dispose of the prohibited PEIs, we expect to fund these commitments if and as the capital calls are made, as allowed under the Volcker Rule.

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)	June 30, 2016	December 31, 2015
Loans held for sale	$146,512	$149,880
Commercial:		
Commercial and industrial	$13,757,123	$13,211,481
Leasing	426,449	441,666
Owner occupied	6,988,647	7,150,028
Municipal	756,145	675,839
Total commercial	21,928,364	21,479,014
Commercial real estate:		
Construction and land development	2,088,250	1,841,502
Term	9,229,683	8,514,401
Total commercial real estate	11,317,933	10,355,903
Consumer:		
Home equity credit line	2,507,176	2,416,357
1-4 family residential	5,680,050	5,382,099
Construction and other consumer real estate	419,299	385,240
Bankcard and other revolving plans	459,707	443,780
Other	189,046	187,149
Total consumer	9,255,278	8,814,625
Total loans	$42,501,575	$40,649,542

Loan balances are presented net of unearned income and fees, which amounted to $149.7 million at June 30, 2016 and $150.3 million at December 31, 2015.
Owner occupied and commercial real estate (“CRE”) loans include unamortized premiums of approximately $23.0 million at June 30, 2016 and $26.2 million at December 31, 2015.
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 $280.5 million at June 30, 2016 and $288.0 million at December 31, 2015.
Loans with a carrying value of approximately $26.0 billion at June 30, 2016 have been pledged at the Federal Reserve and the Federal Home Loan Bank (“FHLB”) of Des Moines as collateral for current and potential borrowings compared to $19.4 billion at December 31, 2015 at the Federal Reserve and various FHLBs.
We sold loans totaling $317.5 million and $590.7 million for the three and six months ended June 30, 2016, and $335.8 million and $636.2 million for the three and six months ended June 30, 2015, respectively, that were

16

Table of Contents

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 and the guaranteed portion of SBA loans. Amounts added to loans held for sale during these periods were $356.9 million and $592.6 million for the three and six months ended June 30, 2016, and $359.0 million and $668.7 million for the three and six months ended June 30, 2015, respectively.

The principal balance of sold loans for which we retain servicing was approximately $1.2 billion at June 30, 2016 and $1.3 billion at December 31, 2015. Income from loans sold, excluding servicing, was $5.9 million and $8.9 million for the three and six months ended June 30, 2016, and $4.3 million and $8.9 million for the three and six months ended June 30, 2015, respectively.

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 and CRE loans are charged off or charged down when 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 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 loan portfolio. The methodology for impaired loans is discussed subsequently. For commercial and CRE loans with commitments equal to or greater than $750,000, we assign internal risk grades using a comprehensive loan grading system based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. The credit quality indicators discussed subsequently are based on this grading system. Estimated losses for these commercial and CRE loans are derived from a statistical analysis of our historical default and loss given default ("LGD") experience over the period of January 2008 through the most recent full quarter.

For consumer and small commercial and CRE loans with commitments less than $750,000, we primarily use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which these loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for these loans using recent delinquency and loss experience by segmenting our loan portfolios 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.

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:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices
- Changes in international, national, regional, and local economic and business conditions
- Changes in the nature and volume of the portfolio and in the terms of loans
- Changes in the experience, ability, and depth of lending management and other relevant staff

17

- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans
- Changes in the quality of the loan review system
- Changes in the value of underlying collateral for collateral-dependent loans
- The existence and effect of any concentration of credit, and changes in the level of such concentrations
- The effect of other external factors such as competition and legal and regulatory requirements

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

Reserve for Unfunded Lending Commitments

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

Changes in ACL Assumptions

During the first quarter of 2016, due to the consolidation of our separate banking charters, we enhanced our methodology to estimate the ACL on a Company-wide basis. As described previously, for large commercial and CRE loans, we began estimating historic loss factors by separately calculating historic default and LGD rates, instead of directly calculating loss rates for groupings of probability of default and LGD grades using a loss migration approach. For small commercial and CRE loans, we began using roll rate models to forecast probable inherent losses. For consumer loans, we began pooling loans by current loan-to-value, where applicable. The impact of these changes was largely neutral to the total ACL at implementation.

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	Three Months Ended June 30, 2016			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$463,987	$117,712	$30,195	$611,894
Additions:				
Provision for loan losses	25,186	9,621	(315)	34,492
Deductions:				
Gross loan and lease charge-offs	(46,635)	(7,839)	(3,155)	(57,629)
Recoveries	14,526	2,073	2,989	19,588
Net loan and lease charge-offs	(32,109)	(5,766)	(166)	(38,041)
Balance at end of period	$457,064	$121,567	$29,714	$608,345
Reserve for unfunded lending commitments				
Balance at beginning of period	$56,267	$12,759	$—	$69,026
Provision credited to earnings	(2,744)	(1,502)	—	(4,246)
Balance at end of period	$53,523	$11,257	$—	$64,780
Total allowance for credit losses at end of period				
Allowance for loan losses	$457,064	$121,567	$29,714	$608,345
Reserve for unfunded lending commitments	53,523	11,257	—	64,780
Total allowance for credit losses	$510,587	$132,824	$29,714	$673,125

	Six Months Ended June 30, 2016			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$454,277	$113,992	$37,779	$606,048
Additions:				
Provision for loan losses	71,061	11,322	(5,746)	76,637
Deductions:				
Gross loan and lease charge-offs	(89,865)	(8,814)	(7,060)	(105,739)
Recoveries	21,591	5,067	4,741	31,399
Net loan and lease charge-offs	(68,274)	(3,747)	(2,319)	(74,340)
Balance at end of period	$457,064	$121,567	$29,714	$608,345
Reserve for unfunded lending commitments				
Balance at beginning of period	$57,696	$16,526	$616	$74,838
Provision credited to earnings	(4,173)	(5,269)	(616)	(10,058)
Balance at end of period	$53,523	$11,257	$—	$64,780
Total allowance for credit losses at end of period				
Allowance for loan losses	$457,064	$121,567	$29,714	$608,345
Reserve for unfunded lending commitments	53,523	11,257	—	64,780
Total allowance for credit losses	$510,587	$132,824	$29,714	$673,125

19

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

	Three Months Ended June 30, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$442,072	$131,615	$46,326	$620,013
Additions:				
Provision for loan losses	5,941	(4,983)	(392)	566
Adjustment for FDIC-supported/PCI loans	(19)	57	—	38
Deductions:				
Gross loan and lease charge-offs	(23,822)	(3,943)	(3,283)	(31,048)
Recoveries	13,598	3,050	3,158	19,806
Net loan and lease charge-offs	(10,224)	(893)	(125)	(11,242)
Balance at end of period	$437,770	$125,796	$45,809	$609,375
Reserve for unfunded lending commitments				
Balance at beginning of period	$62,775	$18,937	$575	$82,287
Provision credited to earnings	(2,001)	(298)	(27)	(2,326)
Balance at end of period	$60,774	$18,639	$548	$79,961
Total allowance for credit losses at end of period				
Allowance for loan losses	$437,770	$125,796	$45,809	$609,375
Reserve for unfunded lending commitments	60,774	18,639	548	79,961
Total allowance for credit losses	$498,544	$144,435	$46,357	$689,336

	Six Months Ended June 30, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of period	$412,514	$145,009	$47,140	$604,663
Additions:				
Provision for loan losses	30,875	(31,870)	67	(928)
Adjustment for FDIC-supported/PCI loans	(57)	57	—	—
Deductions:				
Gross loan and lease charge-offs	(39,773)	(4,569)	(6,894)	(51,236)
Recoveries	34,211	17,169	5,496	56,876
Net loan and lease charge-offs	(5,562)	12,600	(1,398)	5,640
Balance at end of period	$437,770	$125,796	$45,809	$609,375
Reserve for unfunded lending commitments				
Balance at beginning of period	$58,931	$21,517	$628	$81,076
Provision charged (credited) to earnings	1,843	(2,878)	(80)	(1,115)
Balance at end of period	$60,774	$18,639	$548	$79,961
Total allowance for credit losses at end of period				
Allowance for loan losses	$437,770	$125,796	$45,809	$609,375
Reserve for unfunded lending commitments	60,774	18,639	548	79,961
Total allowance for credit losses	$498,544	$144,435	$46,357	$689,336

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

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

	June 30, 2016			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses:				
Individually evaluated for impairment	$53,644	$3,648	$6,796	$64,088
Collectively evaluated for impairment	402,559	117,288	22,890	542,737
Purchased loans with evidence of credit deterioration	861	631	28	1,520
Total	$457,064	$121,567	$29,714	$608,345
Outstanding loan balances:				
Individually evaluated for impairment	$452,250	$102,806	$78,307	$633,363
Collectively evaluated for impairment	21,432,102	11,170,511	9,168,216	41,770,829
Purchased loans with evidence of credit deterioration	44,012	44,616	8,755	97,383
Total	$21,928,364	$11,317,933	$9,255,278	$42,501,575

	December 31, 2015			
(In thousands)	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses:				
Individually evaluated for impairment	$36,909	$3,154	$9,462	$49,525
Collectively evaluated for impairment	417,295	110,417	27,866	555,578
Purchased loans with evidence of credit deterioration	73	421	451	945
Total	$454,277	$113,992	$37,779	$606,048
Outstanding loan balances:				
Individually evaluated for impairment	$289,629	$107,341	$92,605	$489,575
Collectively evaluated for impairment	21,129,125	10,193,840	8,712,079	40,035,044
Purchased loans with evidence of credit deterioration	60,260	54,722	9,941	124,923
Total	$21,479,014	$10,355,903	$8,814,625	$40,649,542

Nonaccrual and Past Due Loans

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

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

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

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

Nonaccrual loans are summarized as follows:

(In thousands)	June 30, 2016	December 31, 2015
Loans held for sale	$13,570	$ —
Commercial:		
Commercial and industrial	$340,883	$ 163,906
Leasing	13,914	3,829
Owner occupied	69,646	73,881
Municipal	893	951
Total commercial	425,336	242,567
Commercial real estate:		
Construction and land development	4,610	7,045
Term	51,209	40,253
Total commercial real estate	55,819	47,298
Consumer:		
Home equity credit line	11,698	8,270
1-4 family residential	38,600	50,254
Construction and other consumer real estate	627	748
Bankcard and other revolving plans	1,667	537
Other	85	186
Total consumer loans	52,677	59,995
Total	$533,832	$ 349,860

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

	June 30, 2016						
(In thousands)	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$132,942	$—	$13,570	$13,570	$146,512	$—	$—
Commercial:							
Commercial and industrial	$13,622,079	$73,002	$62,042	$135,044	$13,757,123	$10,210	$275,451
Leasing	424,112	—	2,337	2,337	426,449	1,826	13,403
Owner occupied	6,937,243	23,486	27,918	51,404	6,988,647	4,241	39,773
Municipal	756,145	—	—	—	756,145	—	893
Total commercial	21,739,579	96,488	92,297	188,785	21,928,364	16,277	329,520
Commercial real estate:							
Construction and land development	2,062,760	23,699	1,791	25,490	2,088,250	—	2,558
Term	9,193,382	13,119	23,182	36,301	9,229,683	11,254	36,774
Total commercial real estate	11,256,142	36,818	24,973	61,791	11,317,933	11,254	39,332
Consumer:							
Home equity credit line	2,495,556	6,230	5,390	11,620	2,507,176	—	4,687
1-4 family residential	5,649,946	10,936	19,168	30,104	5,680,050	288	15,742
Construction and other consumer real estate	411,212	7,504	583	8,087	419,299	314	308
Bankcard and other revolving plans	456,443	2,217	1,047	3,264	459,707	861	1,332
Other	188,322	715	9	724	189,046	—	52
Total consumer loans	9,201,479	27,602	26,197	53,799	9,255,278	1,463	22,121

Total	$42,197,200	$160,908	$143,467	$304,375	$42,501,575	$28,994	$390,973

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2015 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	$13,114,045	$60,523	$36,913	$97,436	$13,211,481	$3,065	$117,942
Leasing	440,963	183	520	703	441,666	—	3,309
Owner occupied	7,085,086	37,776	27,166	64,942	7,150,028	3,626	43,984
Municipal	668,207	7,586	46	7,632	675,839	46	951
Total commercial	21,308,301	106,068	64,645	170,713	21,479,014	6,737	166,186
Commercial real estate:							
Construction and land development	1,835,360	842	5,300	6,142	1,841,502	—	1,745
Term	8,469,390	10,424	34,587	45,011	8,514,401	21,697	24,867
Total commercial real estate	10,304,750	11,266	39,887	51,153	10,355,903	21,697	26,612
Consumer:							
Home equity credit line	2,407,972	4,717	3,668	8,385	2,416,357	—	3,053
1-4 family residential	5,340,549	14,828	26,722	41,550	5,382,099	1,036	20,939
Construction and other consumer real estate	374,987	8,593	1,660	10,253	385,240	1,337	408
Bankcard and other revolving plans	440,358	1,861	1,561	3,422	443,780	1,217	146
Other	186,436	647	66	713	187,149	—	83
Total consumer loans	8,750,302	30,646	33,677	64,323	8,814,625	3,590	24,629
Total	$40,363,353	$147,980	$138,209	$286,189	$40,649,542	$32,024	$217,427

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

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using loan risk grading systems, which vary based on the size and type of credit risk exposure. The internal risk grades assigned to loans 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 low.

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

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

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

We generally assign internal risk grades to commercial and CRE loans with commitments equal to or greater than $750,000 based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. For these larger loans, we assign one of multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding

23

balance has been charged off. We confirm our internal risk grades quarterly, or as soon as we identify information that affects the credit risk of the loan.

For consumer loans and certain small commercial and CRE loans with commitments less than $750,000, we generally assign internal risk grades similar to those described previously based on automated rules that depend on refreshed credit scores, payment performance, and other risk indicators. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant a grade change.

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

	June 30, 2016					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$12,393,067	$316,850	$1,047,206	$ —	$13,757,123	
Leasing	394,633	1,601	30,215	—	426,449	
Owner occupied	6,549,125	149,434	290,088	—	6,988,647	
Municipal	741,826	—	14,319	—	756,145	
Total commercial	20,078,651	467,885	1,381,828	—	21,928,364	$457,064
Commercial real estate:						
Construction and land development	2,015,546	64,383	8,321	—	2,088,250	
Term	9,020,963	51,872	156,848	—	9,229,683	
Total commercial real estate	11,036,509	116,255	165,169	—	11,317,933	121,567
Consumer:						
Home equity credit line	2,493,134	—	14,042	—	2,507,176	
1-4 family residential	5,636,600	—	43,450	—	5,680,050	
Construction and other consumer real estate	417,723	—	1,576	—	419,299	
Bankcard and other revolving plans	455,721	—	3,986	—	459,707	
Other	188,834	—	212	—	189,046	
Total consumer loans	9,192,012	—	63,266	—	9,255,278	29,714
Total	$40,307,172	$584,140	$1,610,263	$ —	$42,501,575	$608,345

	December 31, 2015					
(In thousands)	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$12,007,076	$399,847	$804,403	$ 155	$13,211,481	
Leasing	411,131	5,166	25,369	—	441,666	
Owner occupied	6,720,052	139,784	290,192	—	7,150,028	
Municipal	663,903	—	11,936	—	675,839	
Total commercial	19,802,162	544,797	1,131,900	155	21,479,014	$454,277
Commercial real estate:						
Construction and land development	1,786,610	42,348	12,544	—	1,841,502	
Term	8,319,348	47,245	139,036	8,772	8,514,401	
Total commercial real estate	10,105,958	89,593	151,580	8,772	10,355,903	113,992
Consumer:						
Home equity credit line	2,404,635	—	11,722	—	2,416,357	
1-4 family residential	5,325,519	—	56,580	—	5,382,099	
Construction and other consumer real estate	381,738	—	3,502	—	385,240	
Bankcard and other revolving plans	440,282	—	3,498	—	443,780	

Other	186,836	—	313	—	187,149	
Total consumer loans	8,739,010	—	75,615	—	8,814,625	37,779
Total	$38,647,130	$634,390	$1,359,095	$ 8,927	$40,649,542	$606,048

24

Table of Contents
ZIONS BANCORPORATION AND SUBSIDIARIES

Impaired Loans
Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. For our non-purchased credit-impaired loans, if a nonaccrual loan has a balance greater than $1 million, or if a loan is a troubled debt restructuring (“TDR”), including TDRs that subsequently default, or if the loan is no longer reported as a TDR, we individually evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. Purchase credit-impaired (“PCI”) loans are included in impaired loans and are accounted for under separate accounting guidance. See subsequent discussion under Purchased Loans.
When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan’s future cash flows discounted at the loan’s effective interest rate, the observable market price of the loan, or the fair value of the loan’s underlying collateral. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan’s underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding.
The amount of interest income recognized on a cash basis during the time the loans were impaired within the three and six months ended June 30, 2016 and 2015 was not significant.
Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three and six months ended June 30, 2016 and 2015:

	June 30, 2016				
(In thousands)	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$422,844	$81,883	$293,498	$375,381	$49,385
Owner occupied	117,779	66,143	41,654	107,797	4,166
Municipal	1,372	893	—	893	—
Total commercial	541,995	148,919	335,152	484,071	53,551
Commercial real estate:					