ZIONS BANCORPORATION /UT/
Form 10-Q
August 09, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

COMMISSION FILE NUMBER 001-12307

ZIONS BANCORPORATION

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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 31, 2010	173,340,649 shares

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

INDEX

		Page
PART I.	FINANCIAL INFORMATION	
ITEM 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets	3
	Consolidated Statements of Income	4
	Consolidated Statements of Changes in Shareholders Equity and Comprehensive Income	5
	Consolidated Statements of Cash Flows	6
	Notes to Consolidated Financial Statements	8
ITEM 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	41
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	79
ITEM 4.	Controls and Procedures	80
PART II.	OTHER INFORMATION	
ITEM 1.	Legal Proceedings	80
ITEM 1A.	Risk Factors	80
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	81
ITEM 6.	Exhibits	81
SIGNATURES		84

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	**June 30, 2010 (Unaudited)**	**December 31, 2009**	**June 30, 2009 (Unaudited)**
ASSETS			
Cash and due from banks	$ 1,068,755	$ 1,370,189	$ 1,229,205
Money market investments:			
Interest-bearing deposits	4,861,871	652,964	1,005,060
Federal funds sold	44,720	20,985	390,619
Security resell agreements	58,954	57,556	57,476
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value $802,370, $833,455 and $891,186)	852,606	869,595	937,942
Available-for-sale, at fair value	3,416,448	3,655,619	3,903,895
Trading account, at fair value	85,707	23,543	78,608
	4,354,761	4,548,757	4,920,445
Loans held for sale	189,376	208,567	251,526
Loans:			
Loans and leases excluding FDIC-supported loans	36,920,355	38,882,083	40,654,802
FDIC-supported loans	1,208,362	1,444,594	783,238
	38,128,717	40,326,677	41,438,040
Less:			
Unearned income and fees, net of related costs	125,779	137,697	130,042
Allowance for loan losses	1,563,753	1,531,332	1,248,055
Loans and leases, net of allowance	36,439,185	38,657,648	40,059,943
Other noninterest-bearing investments	866,970	1,099,961	1,046,131
Premises and equipment, net	705,372	710,534	703,613
Goodwill	1,015,161	1,015,161	1,017,385
Core deposit and other intangibles	100,425	113,416	121,675
Other real estate owned	413,336	389,782	304,778
Other assets	2,028,409	2,277,487	1,660,098
	$ 52,147,295	$ 51,123,007	$ 52,767,954
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing demand	$ 14,071,456	$ 12,324,247	$ 11,142,017
Interest-bearing:			
Savings and NOW	6,030,986	5,843,573	4,949,711
Money market	15,562,664	16,378,874	17,276,743
Time under $100,000	2,155,366	2,497,395	2,845,893
Time $100,000 and over	2,509,479	3,117,472	4,455,225
Foreign	1,683,925	1,679,028	1,974,583

	42,013,876	41,840,589	42,644,172
Securities sold, not yet purchased	81,511	43,404	51,109
Federal funds purchased	391,213	208,669	1,169,809
Security repurchase agreements	500,812	577,346	565,975
Federal Home Loan Bank advances and other borrowings:			
One year or less	218,589	121,273	48,171
Over one year	15,558	15,722	18,882
Long-term debt	1,918,852	2,017,220	1,917,598
Reserve for unfunded lending commitments	96,795	116,445	60,688
Other liabilities	488,987	472,082	536,855
Total liabilities	45,726,193	45,412,750	47,013,259
Shareholders equity:			
Preferred stock, without par value, authorized 4,400,000 shares	1,806,877	1,502,784	1,491,730
Common stock, without par value; authorized 350,000,000 shares issued and outstanding 173,331,281, 150,425,070 and 125,095,328	3,964,140	3,318,417	2,935,724
Retained earnings	1,099,621	1,324,516	1,685,522
Accumulated other comprehensive income (loss)	(433,020)	(436,899)	(368,164)
Deferred compensation	(15,776)	(16,160)	(14,138)
Controlling interest shareholders equity	6,421,842	5,692,658	5,730,674
Noncontrolling interests	(740)	17,599	24,021
Total shareholders equity	6,421,102	5,710,257	5,754,695
	$ 52,147,295	$ 51,123,007	$ 52,767,954

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)	**Three Months Ended June 30, 2010**	**2009**	**Six Months Ended June 30, 2010**	**2009**
Interest income:				
Interest and fees on loans	$ 541,474	$ 583,590	$ 1,081,618	$ 1,163,442
Interest on loans held for sale	1,937	3,082	4,300	5,838
Lease financing	4,251	4,735	9,380	9,328
Interest on money market investments	2,601	1,543	4,040	4,919
Interest on securities:				
Held-to-maturity taxable	6,113	9,367	8,569	28,275
Held-to-maturity nontaxable	5,187	5,796	10,624	12,061
Available-for-sale taxable	19,818	26,982	40,789	48,685
Available-for-sale nontaxable	1,700	1,778	3,421	3,456
Trading account	657	823	1,132	1,394
Total interest income	583,738	637,696	1,163,873	1,277,398
Interest expense:				
Interest on savings and money market deposits	34,124	64,949	70,513	139,502
Interest on time and foreign deposits	18,629	52,577	38,316	115,256
Interest on short-term borrowings	3,486	3,661	6,553	9,681
Interest on long-term borrowings	114,153	22,821	179,845	44,496
Total interest expense	170,392	144,008	295,227	308,935
Net interest income	413,346	493,688	868,646	968,463
Provision for loan losses	228,663	762,654	494,228	1,060,278
Net interest income after provision for loan losses	184,683	(268,966)	374,418	(91,815)
Noninterest income:				
Service charges and fees on deposit accounts	51,909	51,833	103,517	104,621
Other service charges, commissions and fees	43,395	40,291	82,437	78,518
Trust and wealth management income	7,021	8,750	14,630	15,915
Capital markets and foreign exchange	10,733	16,311	19,272	29,515
Dividends and other investment income	8,879	2,684	16,579	11,092
Loan sales and servicing income	5,617	7,040	12,049	12,891
Fair value and nonhedge derivative income (loss)	(1,552)	20,316	636	24,320
Equity securities gains (losses), net	(1,500)	(619)	(4,665)	2,144
Fixed income securities gains, net	530	1,444	1,786	1,639
Impairment losses on investment securities:				
Impairment losses on investment securities	(19,557)	(71,515)	(68,127)	(237,131)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	1,497	29,546	18,804	112,489
Net impairment losses on investment securities	(18,060)	(41,969)	(49,323)	(124,642)
Valuation losses on securities purchased		(11,701)		(212,092)

Gain on subordinated debt modification		493,725		493,725
Gain on subordinated debt exchange			14,471	
Acquisition related gains		22,977		22,977
Other	2,441	1,654	5,634	6,851
Total noninterest income	109,413	612,736	217,023	467,474
Noninterest expense:				
Salaries and employee benefits	205,776	202,420	410,109	406,581
Occupancy, net	27,822	26,651	56,310	54,978
Furniture and equipment	25,703	24,870	50,699	49,869
Other real estate expense	42,444	23,748	75,092	42,091
Legal and professional services	8,887	9,497	18,863	18,040
Postage and supplies	7,598	8,036	15,244	16,446
Advertising	5,772	5,678	12,146	12,826
FDIC premiums	26,438	42,329	50,648	56,500
Amortization of core deposit and other intangibles	6,414	7,078	12,991	13,964
Provision for unfunded lending commitments	483	7,927	(19,650)	9,754
Other	73,018	61,235	137,029	114,625
Total noninterest expense	430,355	419,469	819,481	795,674
Impairment loss on goodwill				633,992
Income (loss) before income taxes	(136,259)	(75,699)	(228,040)	(1,054,007)
Income taxes (benefit)	(22,898)	(23,761)	(51,542)	(175,488)
Net income (loss)	(113,361)	(51,938)	(176,498)	(878,519)
Net income (loss) applicable to noncontrolling interests	(368)	(1,209)	(3,295)	(1,749)
Net income (loss) applicable to controlling interest	(112,993)	(50,729)	(173,203)	(876,770)
Preferred stock dividends	(25,342)	(25,447)	(51,653)	(51,733)
Preferred stock redemption	3,107	52,418	3,107	52,418
Net earnings (loss) applicable to common shareholders	$ (135,228)	$ (23,758)	$ (221,749)	$ (876,085)
Weighted average common shares outstanding during the period:				
Basic shares	161,810	115,908	156,471	115,012
Diluted shares	161,810	115,908	156,471	115,012
Net earnings (loss) per common share:				
Basic	$ (0.84)	$ (0.21)	$ (1.42)	$ (7.62)
Diluted	(0.84)	(0.21)	(1.42)	(7.62)

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Deferred compensation	Noncontrolling interests	Total shareholders equity
Balance, December 31, 2009	$ 1,502,784	150,425,070	$ 3,318,417	$ 1,324,516	$ (436,899)	$ (16,160)	$ 17,599	$ 5,710,257
Comprehensive loss:								
Net loss for the period				(173,203)			(3,295)	(176,498)
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding gains on investments					4,880			
Reclassification for net losses on investments included in earnings					29,341			
Noncredit-related impairment losses on securities not expected to be sold					(11,612)			
Accretion of securities with noncredit-related impairment losses not expected to be sold					70			
Net unrealized losses on derivative instruments					(18,737)			
Pension and postretirement					(63)			
Other comprehensive income					3,879			3,879
Total comprehensive loss								(172,619)
Subordinated debt converted to preferred stock	160,270		(22,612)					137,658
Issuance of preferred stock	142,500		(3,830)					138,670
Preferred stock exchanged for common stock	(8,615)	224,903	5,508	3,107				
Issuance of common stock warrants			179,020					179,020
Subordinated debt exchanged for common stock		2,165,391	46,902					46,902
Issuance of common stock		20,037,657	432,900					432,900
Net stock issued under employee plans and related tax benefits		478,260	7,835					7,835
Dividends on preferred stock	9,938			(51,653)				(41,715)
Dividends on common stock, $0.02 per share				(3,146)				(3,146)
Change in deferred compensation						384		384
Other changes in noncontrolling interests							(15,044)	(15,044)
Balance, June 30, 2010	$ 1,806,877	173,331,281	$ 3,964,140	$ 1,099,621	$ (433,020)	$ (15,776)	$ (740)	$ 6,421,102
Balance, December 31, 2008	$ 1,581,834	115,344,813	$ 2,599,916	$ 2,433,363	$ (98,958)	$ (14,459)	$ 27,320	$ 6,529,016
Cumulative effect of change in accounting principle, adoption of new OTTI guidance under ASC 320				137,462	(137,462)			
Comprehensive loss:								
Net loss for the period				(876,770)			(1,749)	(878,519)
Other comprehensive income (loss), net of tax:								

Net realized and unrealized holding losses on investments and retained interests					(78,512)			
Reclassification for net losses on investments included in earnings					63,296			
Noncredit-related impairment losses on securities not expected to be sold					(67,783)			
Accretion of securities with noncredit-related impairment losses not expected to be sold					931			
Net unrealized losses on derivative instruments					(49,676)			
Other comprehensive loss					(131,744)			(131,744)
Total comprehensive loss								(1,010,263)
Preferred stock redemption	(100,511)		1,763	52,418				(46,330)
Issuance of common stock		9,177,658	123,741					123,741
Subordinated debt modification			201,154					201,154
Net stock issued under employee plans and related tax benefits		572,857	9,150					9,150
Dividends on preferred stock	10,407			(51,733)				(41,326)
Dividends on common stock, $0.08 per share				(9,218)				(9,218)
Change in deferred compensation						321		321
Other changes in noncontrolling interests							(1,550)	(1,550)
Balance, June 30, 2009	$ 1,491,730	125,095,328	$ 2,935,724	$ 1,685,522	$ (368,164)	$ (14,138)	$ 24,021	$ 5,754,695

Total comprehensive income (loss) for the three months ended June 30, 2010 and 2009 was $(118,240) and $79,375, respectively.

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, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss for the period	$ (113,361)	$ (51,938)	$ (176,498)	$ (878,519)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Impairment and valuation losses on investment securities and goodwill	18,060	53,670	49,323	970,726
Gain on subordinated debt modification		(493,725)		(493,725)
Gain on subordinated debt exchange			(14,471)	
Acquisition related gains		(22,977)		(22,977)
Debt extinguishment cost		5,103		5,103
Provision for credit losses	229,146	770,581	474,578	1,070,032
Depreciation of premises and equipment	18,627	18,480	36,943	37,093
Amortization	77,635	18,241	105,573	36,024
Deferred income tax expense (benefit)	(15,795)	59,424	(51,958)	(99,183)
Share-based compensation	6,557	7,207	13,459	15,344
Unrealized equity securities losses (gains), net	2,658	(1,644)	5,571	(1,750)
Net increase in trading securities	(35,009)	(13,410)	(62,164)	(36,544)
Principal payments on and proceeds from sales of loans held for sale	336,321	669,696	678,739	1,145,726
Additions to loans held for sale	(350,563)	(653,631)	(668,000)	(1,196,999)
Net write-down of and losses from sales of other real estate owned	38,146	19,270	65,258	49,288
Net gains on sales of loans, leases and other assets	(2,985)	(5,254)	(6,018)	(10,300)
Income from increase in cash surrender value of bank-owned life insurance	(4,216)	(6,326)	(9,539)	(12,155)
Change in accrued income taxes	(37,249)	(72,882)	326,591	(67,399)
Change in accrued interest receivable	9,968	9,851	20,038	37,187
Change in other assets	(122,195)	(89,651)	(28,892)	63,205
Change in other liabilities	36,948	18,276	16,357	(67,577)
Change in accrued interest payable	2,221	(21,657)	(4,253)	(26,692)
Other, net	(6,901)	8,754	(12,080)	(1,579)
Net cash provided by operating activities	88,013	225,458	758,557	514,329
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net decrease (increase) in money market investments	(1,437,786)	817,888	(4,234,040)	1,253,457
Proceeds from maturities and paydowns of investment securities held-to-maturity	58,055	25,233	84,706	54,903
Purchases of investment securities held-to-maturity	(7,502)	(15,301)	(30,386)	(31,789)
Proceeds from sales of investment securities available-for-sale	36,622	313,236	349,791	533,648
Proceeds from maturities and paydowns of investment securities available-for-sale	115,784	106,525	212,376	227,717
Purchases of investment securities available-for-sale	(139,336)	(512,881)	(335,884)	(1,455,249)
Proceeds from sales of loans and leases	57,197	33,580	92,360	49,891
Loan and lease collections, net of originations	500,702	125,364	1,289,579	368,074
Proceeds from surrender of bank-owned life insurance contracts	175,632		175,632	
Net decrease (increase) in other noninterest-bearing investments	(3,059)	7,239	13,554	13,097
Proceeds from sales of premises and equipment and other assets	15	21	291	4,736
Purchases of premises and equipment	(17,053)	(20,408)	(32,878)	(57,683)

Proceeds from sales of other real estate owned	131,896	70,337	237,877	97,612
Net cash received from acquisitions		33,480		146,951
Net cash provided by (used in) investing activities	(528,833)	984,313	(2,177,022)	1,205,365

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(In thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase (decrease) in deposits	$ (81,816)	$ (871,400)	$ 175,605	$ 75,725
Net change in short-term funds borrowed	11,998	(400,869)	241,422	(2,231,622)
Proceeds from FHLB advances and other borrowings over one year		90		90
Repayments of FHLB advances and other borrowings over one year	(82)	(108,888)	(164)	(109,461)
Proceeds from issuance of long-term debt	22,768	36,061	62,466	291,228
Debt issuance and extinguishment costs	(102)	(9,059)	(280)	(18,083)
Repayments of long-term debt	(65,211)	(69)	(65,272)	(138)
Cash paid for preferred stock redemption		(46,330)		(46,330)
Proceeds from the issuance of preferred stock	138,670		138,670	
Proceeds from issuance of common stock	283,124	123,741	433,032	123,741
Proceeds from issuance of common stock warrants	179,020		179,020	
Payments to redeem common stock	(2,524)	(977)	(2,928)	(1,100)
Excess tax benefits from share-based compensation	318	12	321	29
Dividends paid on preferred stock	(20,331)	(20,233)	(41,715)	(41,326)
Dividends paid on common stock	(1,648)	(4,617)	(3,146)	(9,218)
Net cash provided by (used in) financing activities	464,184	(1,302,538)	1,117,031	(1,966,465)
Net increase (decrease) in cash and due from banks	23,364	(92,767)	(301,434)	(246,771)
Cash and due from banks at beginning of period	1,045,391	1,321,972	1,370,189	1,475,976
Cash and due from banks at end of period	$ 1,068,755	$ 1,229,205	$ 1,068,755	$ 1,229,205
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for:				
Interest	$ 89,653	$ 164,442	$ 192,325	$ 323,769
Net payment made (refund received) for income taxes	28,181	(29,790)	(324,572)	(30,014)
Noncash items:				
Amortized cost of investment securities held-to-maturity transferred to investment securities available-for-sale		1,016,855		1,058,159
Loans transferred to other real estate owned	179,667	153,886	340,692	233,326
Beneficial conversion feature of modified subordinated debt recorded in common stock		201,154		201,154
Subordinated debt exchanged for common stock			46,902	
Subordinated debt converted to preferred stock	116,624		137,658	
Acquisitions:				
Assets acquired		224,335		1,369,586
Liabilities assumed		219,168		1,376,408

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 2010

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 for inte 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 generally accepted accounting principles 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. Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three- and six-month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2009 is from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s 2009 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through banking subsidiaries in ten Western and Southwestern states as follows: Zions First National Bank (Zions Bank), in Utah and Idaho; California Bank & Trust (CB&T); Amegy Corporation (Amegy) and its subsidiary, Amegy Bank, in Texas; National Bank of Arizona (NBA); Nevada State Bank (NSB); Vectra Bank Colorado (Vectra), in Colorado and New Mexico; The Commerce Bank of Washington (TCBW); and The Commerce Bank of Oregon (TCBO). The Company also owns and operates certain nonbank subsidiaries that engage in the development and sale of financial technologies and related services, and in wealth management services.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

On July 21, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This new accounting guidance under Accounting Standards Codification (ASC) 310, *Receivables*, requires disclosure of more information about the credit quality of an entity s financing receivables and the allowance for credit losses. Disclosures must be disaggregated by class or portfolio segment and include, among other things, such items as a rollforward of the allowance for credit losses, certain credit quality indicators, past due and impaired loan information, and loan modification information. Except for the allowance rollforward and loan modification information, the new requirements will become effective for interim and annual reporting periods beginning with year-end December 31, 2010. Disclosure of the allowance rollforward and loan modification information will be required for the first quarter of 2011. The new guidance only relates to financial statement disclosures and will not affect the Company s financial condition or results of operations.

ZIONS BANCORPORATION AND SUBSIDIARIES

On April 29, 2010, the FASB issued ASU No. 2010-18, *Receivables, Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset*. This ASU clarifies that modifications of loans accounted for within a pool under ASC 310-30, *Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality*, would not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. Loans may be removed from the pool as a result of sale, foreclosure, or other events. This new guidance takes effect for the first interim or annual period ending after July 15, 2010, with early adoption permitted. We have elected to early adopt this new guidance, which did not significantly impact our accounting for purchased loans.

Effective January 1, 2010, we adopted ASU No. 2009-17, *Amendments to FASB Interpretation No. 46(R)*, (formerly Statement of Financial Accounting Standards (SFAS) No. 167). This new accounting guidance under ASC 810, *Consolidation*, requires that a continuous analysis be performed on a qualitative rather than a quantitative basis to determine the primary beneficiary of a variable interest entity (VIE). The new rules amend previous guidance to determine whether an entity is a VIE and require enhanced disclosures about our involvement with a VIE. Upon adoption, we reconsidered our consolidation conclusions for all entities with which we are involved and concluded that there was no significant impact on the Company s financial statements.

Effective January 1, 2010, we adopted ASU No. 2009-16, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*, (formerly SFAS No. 166). This new accounting guidance under ASC 860, *Transfers and Servicing*, modifies the accounting for transfers of financial assets and removes the concept of a qualifying special-purpose entity (QSPE). In 2009, we dissolved Lockhart Funding LLC (Lockhart), a QSPE funded with commercial paper, and our remaining activities related to transfers of financial assets were not significant as of January 1, 2010. Accordingly, the adoption of this new guidance did not have a significant impact on the Company s financial statements.

Additional accounting guidance recently adopted is discussed where applicable in the Notes to Consolidated Financial Statements.

3. PURCHASED LOANS

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

During 2009, CB&T and NSB acquired failed banks from the Federal Deposit Insurance Corporation (FDIC) as receiver and entered into loss sharing agreements with the FDIC for the acquired loans and foreclosed assets. The FDIC assumes 80% of credit losses up to a threshold specified for each acquisition and 95% above the threshold for a period of up to ten years. The loans acquired from the FDIC are presented separately in the Company s balance sheet as FDIC-supported loans.

Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding allowance for loan losses. The acquired foreclosed assets and subsequent real estate foreclosures were included with other real estate owned in the balance sheet and amounted to $48.4 million at June 30, 2010, $54.1 million at December 31, 2009, and $10.9 million at June 30, 2009.

ZIONS BANCORPORATION AND SUBSIDIARIES

Acquired loans which have evidence of credit deterioration and for which it is probable that not all contractual payments will be collected are accounted for as loans under ASC 310-30. Certain acquired loans (including loans with revolving privileges) without evidence of credit deterioration are accounted for under ASC 310-20 and excluded from the following tables.

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

	June 30, 2010	December 31, 2009	June 30, 2009
Commercial lending	$ 482,329	$ 588,234	$ 399,483
Commercial real estate	977,450	1,150,095	332,987
Consumer	92,265	112,731	43,321
Outstanding balance	$ 1,552,044	$ 1,851,060	$ 775,791
Carrying amount	$ 1,092,714	$ 1,304,251	$ 636,659
Allowance for loan losses[1]	25,648		
Carrying amount, net	$ 1,067,066	$ 1,304,251	$ 636,659

[1] *The allowance for loan losses was determined subsequent to acquisition and was considered for all of the periods presented. See discussion that follows regarding the gross presentation of this allowance amount, which is included in the overall allowance for loan losses on the balance sheet, and the amount recoverable under the FDIC loss sharing agreements, which is included in other assets.*

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

Over the life of the loan or pool, we continue to estimate cash flows expected to be collected. We evaluate at the balance sheet date whether the estimated present value of these loans using the effective interest rates has decreased and if so, we record a provision for loan losses. The present value of any subsequent increase in the loan s actual or expected cash flows is used first to reverse any existing allowance for loan losses. Such reversal did not occur for the periods presented herein. For any remaining increases in cash flows expected to be collected, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize such increase in interest income. Additionally, when changes in expected cash flows occur, to the extent applicable, we adjust the amount recoverable from the FDIC (indemnification asset) through a charge or credit (depending on whether there was an increase or decrease in expected cash flows) to other noninterest expense.

Certain acquired loans within the scope of ASC 310-30 are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. As allowed under ASC 310-30 in these circumstances, interest income is recognized on a cash basis similar to the cost recovery methodology used for nonaccrual loans. Amounts for these loans are included in the carrying amounts in the preceding table. At June 30, 2010, the net carrying amount of these loans was approximately $162.5 million.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

Changes in the accretable yield are as follows *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Balance at beginning of period	$ 155,894	$ 85,222	$ 161,976	$
Additions		2,409		91,167
Accretion	(25,418)	(8,688)	(43,183)	(14,932)
Reclassification from nonaccretable difference	123,202		128,256	
Disposals and other	(1,450)	2,231	5,179	4,939
Balance at end of period	$ 252,228	$ 81,174	$ 252,228	$ 81,174

During the three and six months ended June 30, 2010, we increased the allowance for loan losses for all FDIC-acquired loans by a charge to the provision for loan losses of $11.7 million and $28.8 million, respectively. As described subsequently, a portion of these amounts are recoverable from the FDIC in accordance with the loss sharing agreements. Charge-offs, net of recoveries, for the three and six months ended June 30, 2010 were $1.3 million and $3.1 million, respectively. No provision or charge-offs were applicable in 2009.

In connection with the loss sharing agreements, the total estimated amount recoverable from the FDIC was $243.8 million at June 30, 2010, $293.3 million at December 31, 2009, and $80.6 million at June 30, 2009. The amount was initially recorded at fair value using projected cash flows based on credit adjustments for each loan type and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect management s expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity. The amount is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing agreements are updated. Estimated loan losses, if any, in excess of the amounts recoverable are reflected as period expenses through the provision for loan losses.

Subsequent to the acquisitions, the allowance for loan losses for FDIC-supported loans is determined without giving consideration to the amounts recoverable under the loss sharing agreements (since the loss sharing agreements are separately accounted for and thus presented gross on the balance sheet).

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

Investment securities are summarized as follows *(in thousands)*:

	June 30, 2010						
		Recognized in OCI [1]			Not recognized in OCI [1]		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$ 588,079	$	$	$ 588,079	$ 9,411	$ 2,733	$ 594,757
Asset-backed securities:							
Trust preferred securities banks and insurance	264,704		25,412	239,292	247	49,729	189,810
Other	29,595		4,460	25,135	635	8,067	17,703
Other debt securities	100			100			100
	$ 882,478	$	$ 29,872	$ 852,606	$ 10,293	$ 60,529	$ 802,370
Available-for-sale							
U.S. Treasury securities	$ 38,682	$ 351	$ 2	$ 39,031			$ 39,031
U.S. Government agencies and corporations:							
Agency securities	221,598	6,688	100	228,186			228,186
Agency guaranteed mortgage-backed securities	348,294	14,095	31	362,358			362,358
Small Business Administration loan-backed securities	807,167	4,319	12,110	799,376			799,376
Municipal securities	220,409	4,448	435	224,422			224,422
Asset-backed securities:							
Trust preferred securities banks and insurance	1,976,889	59,637	723,442	1,313,084			1,313,084
Trust preferred securities real estate investment trusts	52,590		29,097	23,493			23,493
Auction rate securities	156,450	1,030	402	157,078			157,078
Other	110,369	1,332	26,865	84,836			84,836
	3,932,448	91,900	792,484	3,231,864			3,231,864
Other securities:							
Mutual funds and stock	184,467	117		184,584			184,584
	$ 4,116,915	$ 92,017	$ 792,484	$ 3,416,448			$ 3,416,448

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	June 30, 2009						
		Recognized in OCI [1]			Not recognized in OCI [1]		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$ 671,671	$	$	$ 671,671	$ 7,933	$ 8,205	$ 671,399
Asset-backed securities:							
Trust preferred securities banks and insurance	265,292		25,816	239,476		38,504	200,972
Other	32,486		5,791	26,695	559	8,537	18,717
Other debt securities	100			100		2	98
	$ 969,549	$	$ 31,607	$ 937,942	$ 8,492	$ 55,248	$ 891,186
Available-for-sale							
U.S. Treasury securities	$ 25,113	$ 734	$ 2	$ 25,845			$ 25,845
U.S. Government agencies and corporations:							
Agency securities	290,504	6,062	188	296,378			296,378
Agency guaranteed mortgage-backed securities	411,180	10,243	739	420,684			420,684
Small Business Administration loan-backed securities	834,883	2,131	24,484	812,530			812,530
Municipal securities	251,029	2,584	780	252,833			252,833
Asset-backed securities:							
Trust preferred securities banks and insurance	2,173,757	44,583	682,176	1,536,164			1,536,164
Trust preferred securities real estate investment trusts	76,745		42,165	34,580			34,580
Auction rate securities	171,910	827	1,485	171,252			171,252
Other	161,983	1,539	56,193	107,329			107,329
	4,397,104	68,703	808,212	3,657,595			3,657,595
Other securities:							
Mutual funds and stock	246,300			246,300			246,300
	$ 4,643,404	$ 68,703	$ 808,212	$ 3,903,895			$ 3,903,895

[1] *Other comprehensive income*

During the three months ended June 30, 2009, we reassessed the classification of certain asset-backed and trust preferred collateralized debt obligation (CDO) securities as part of our ongoing review of the investment securities portfolio. We reclassified approximately $557 million at fair value of held-to-maturity (HTM) securities to available-for-sale (AFS). Unrealized losses added to OCI at the time of these transfers were $124.4 million. During the six months ended June 30, 2009, we reclassified a total of $596 million at fair value of HTM securities to AFS. The reclassifications were made subsequent to ratings downgrades, as permitted under ASC 320, *Investments Debt and Equity Securities*. No gain or loss was recognized in the statement of income at the time of reclassification.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2010 by expected maturity distribution for asset-backed securities and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties *(in thousands)*:

	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	$ 74,326	$ 74,905	$ 338,649	$ 332,244
Due after one year through five years	223,216	220,684	802,214	774,160
Due after five years through ten years	213,495	198,705	753,433	659,516
Due after ten years	371,441	308,076	2,038,152	1,465,944
	$ 882,478	$ 802,370	$ 3,932,448	$ 3,231,864

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

	June 30, 2010					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 56	$ 11,439	$ 2,677	$ 30,070	$ 2,733	$ 41,509
Asset-backed securities:						
Trust preferred securities banks and insurance			75,141	189,810	75,141	189,810
Other			12,527	17,704	12,527	17,704
	$ 56	$ 11,439	$ 90,345	$ 237,584	$ 90,401	$ 249,023
Available-for-sale						
U.S. Treasury securities	$ 2	$ 25,994	$	$	$ 2	$ 25,994
U.S. Government agencies and corporations:						
Agency securities	61	8,425	39	1,544	100	9,969
Agency guaranteed mortgage-backed securities	24	5,177	7	932	31	6,109
Small Business Administration loan-backed securities	1,849	84,692	10,261	438,242	12,110	522,934
Municipal securities	414	13,839	21	1,150	435	14,989
Asset-backed securities:						
Trust preferred securities banks and insurance	1,085	13,923	722,357	905,642	723,442	919,565
Trust preferred securities real estate investment trusts			29,097	23,493	29,097	23,493
Auction rate securities	155	10,314	247	18,030	402	28,344
Other	735	2,739	26,130	69,121	26,865	71,860
	$ 4,325	$ 165,103	$ 788,159	$ 1,458,154	$ 792,484	$ 1,623,257

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	June 30, 2009					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 2,775	$ 90,108	$ 5,430	$ 26,479	$ 8,205	$ 116,587
Asset-backed securities:						
Trust preferred securities banks and insurance			64,320	200,972	64,320	200,972
Other	6,157	10,273	8,171	8,444	14,328	18,717
Other debt securities	2	98			2	98
	$ 8,934	$ 100,479	$ 77,921	$ 235,895	$ 86,855	$ 336,374
Available-for-sale						
U.S. Treasury securities	$ 2	$ 111	$	$	$ 2	$ 111
U.S. Government agencies and corporations:						
Agency securities	14	2,951	174	5,908	188	8,859
Agency guaranteed mortgage-backed securities	724	56,115	15	2,222	739	58,337
Small Business Administration loan-backed securities	2,299	177,204	22,185	467,120	24,484	644,324
Municipal securities	744	59,478	36	1,655	780	61,133
Asset-backed securities:						
Trust preferred securities banks and insurance	10,164	70,983	672,012	1,082,219	682,176	1,153,202
Trust preferred securities real estate investment trusts	33,615	25,380	8,550	9,200	42,165	34,580
Auction rate securities	1,485	162,545			1,485	162,545
Other	1,863	5,058	54,330	76,574	56,193	81,632
	$ 50,910	$ 559,825	$ 757,302	$ 1,644,898	$ 808,212	$ 2,204,723

We conduct a formal review of investment securities on a quarterly basis under ASC 320 for the presence of other-than-temporary impairment (OTTI). We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date. Under these circumstances, OTTI is considered to have occurred if (1) we intend to sell the security; (2) it is more likely than not we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis.

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

As stated in our 2009 Annual Report on Form 10-K, our OTTI evaluation process also takes into consideration current market conditions, fair value in relationship to cost, extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, all available information relevant to the collectibility of debt securities, our ability and intent to hold investments until a recovery of their amortized cost basis, which may be maturity, and other factors, when evaluating for the existence of OTTI in our securities portfolio. Additionally under ASC 325-40, *Beneficial Interests in Securitized Financial Assets*, OTTI is recognized as a realized loss through earnings when there has been an adverse change in the holder s expected cash flows such that it is probable that the full amount will not be received.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

For the AFS security types discussed below where we believe that no OTTI exists at June 30, 2010, we applied the criteria that we do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. The following discussion only includes those security types with significant gross unrealized losses. Our conclusions resulting from our evaluation for the presence of OTTI are presented below:

Asset-backed securities

Trust preferred securities banks and insurance: These CDO securities are variable rate pools of trust preferred securities related to banks and insurance companies. They are rated by one or more Nationally Recognized Statistical Rating Organizations (NRSROs), which are rating agencies registered with the SEC. They were purchased generally at par. Unrealized losses were caused mainly by the following factors: (1) collateral deterioration due to bank failures and credit concerns across the banking sector; (2) widening of credit spreads for asset-backed securities; and (3) general illiquidity in the market for CDOs. Our ongoing review of these securities in accordance with the preceding discussion and the policy in our 2009 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities.

Trust preferred securities real estate investment trusts (REITs): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit in addition to the same factors previously discussed for banks and insurance CDOs. Our ongoing review of these securities in accordance with the preceding discussion and the policy in our 2009 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities.

Other asset-backed securities: The majority of these CDO securities were purchased from Lockhart at their carrying values and were adjusted to fair value. These adjustments to fair value were included in valuation losses on securities purchased in 2009. Certain of these CDOs consist of structured asset-backed CDOs (ABS CDOs) (also known as diversified structured finance CDOs). Our ongoing review of these securities in accordance with the preceding discussion and the policy in our 2009 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities.

U.S. Government agencies and corporations

Small Business Administration (SBA) loan-backed securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, we believe that no OTTI exists for these securities at June 30, 2010.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The following is a tabular rollforward of the total amount of credit-related OTTI, including amounts recognized in current period earnings *(in thousands)*:

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$ (5,218)	$ (300,502)	$ (305,720)	$ (5,206)	$ (269,251)	$ (274,457)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]					(325)	(325)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	(139)	(17,921)	(18,060)	(151)	(48,847)	(48,998)
Subtotal of amounts recognized in earnings	(139)	(17,921)	(18,060)	(151)	(49,172)	(49,323)
Reductions for securities sold during the period						
Balance of credit-related OTTI at end of period	$ (5,357)	$ (318,423)	$ (323,780)	$ (5,357)	$ (318,423)	$ (323,780)

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$ (46,849)	$ (137,923)	$ (184,772)	$ (50,458)	$ (51,641)	$ (102,099)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]	(3)	(13,319)	(13,322)	(15,222)	(14,570)	(29,792)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	(803)	(27,844)	(28,647)	(3,290)	(91,560)	(94,850)
Subtotal of amounts recognized in earnings	(806)	(41,163)	(41,969)	(18,512)	(106,130)	(124,642)
Transfers of securities from HTM to AFS	43,988	(43,988)		65,303	(65,303)	
Reductions for securities sold during the period		95,244	95,244		95,244	95,244
Balance of credit-related OTTI at end of period	$ (3,667)	$ (127,830)	$ (131,497)	$ (3,667)	$ (127,830)	$ (131,497)

[1] *Relates to securities not previously impaired.*

[2] *Relates to additional impairment on securities previously impaired.*

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

Noncredit-related OTTI on securities not expected to be sold, and for which it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis, was recognized in OCI as follows *(in thousands)*:

	Three Months Ended June 30,	Six Months Ended June 30,

	2010	2009 [1]	2010	2009 [1]
Noncredit-related OTTI, pretax:				
HTM	$	$ (77,046)	$	$ (395)
AFS	1,497	106,592	18,804	112,884
Total	$ 1,497	$ 29,546	$ 18,804	$ 112,489
Total noncredit-related OTTI, after-tax	$ 925	$ 17,855	$ 11,612	$ 67,783

[1] *Includes the transfer of $76.7 million of OTTI when we reclassified HTM securities to AFS.*

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

At June 30, 2010 and 2009, respectively, 86 and 260 HTM and 562 and 939 AFS investment securities were in an unrealized loss position.

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

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010		Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	$	$ 139	$	$ 151	$	$ (15,944)[1]	$	$ 1,762
Available-for-sale	530	17,921	1,814	49,200	1,887	69,614	4,757	334,986
Other noninterest-bearing investments:								
Securities held by consolidated SBICs	2,002	3,504	4,074	8,741	279	1,353	434	1,406
Other	2		2		12		12	
	2,534	21,564	5,890	58,092	2,178	55,023	5,203	338,154
Net losses		$ (19,030)		$ (52,202)		$ (52,845)		$ (332,951)
Statement of income information:								
Net impairment losses on investment securities		$ (18,060)		$ (49,323)		$ (41,969)		$ (124,642)
Valuation losses on securities purchased						(11,701)		(212,092)
		(18,060)		(49,323)		(53,670)		(336,734)
Equity securities gains (losses), net		(1,500)		(4,665)		(619)		2,144
Fixed income securities gains, net		530		1,786		1,444		1,639
Net losses		$ (19,030)		$ (52,202)		$ (52,845)		$ (332,951)

[1] *Represents the amount of OTTI reclassified to the gross losses for AFS securities, as a result of the previously discussed transfer of HTM securities to AFS.*

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

Valuation losses on securities purchased of $11.7 million and $212.1 million during the three and six months ended June 30, 2009, respectively, included $6.2 million and $187.9 million from the purchase of securities by Zions Bank from Lockhart due to rating downgrades prior to fully consolidating Lockhart in June 2009. Also included in the valuation losses were $5.5 million and $24.2 million, respectively, when we voluntarily purchased auction rate securities previously sold to customers by certain Company subsidiaries.

Securities with a carrying value of $1.7 billion at June 30, 2010 and $1.8 billion at December 31, 2009 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.

In October 2009, a hedge fund made offers to the preferred shareholders (equity holders) of four CDOs in which the Company held senior debt. The offers sought to induce the equity holders, in exchange for payments to be made outside of the CDO, to approve sales to the hedge fund of substantial amounts of performing collateral at deeply discounted prices. Such sales, if consummated, would be detrimental to the interests of the more senior tranches of the CDO.

The equity holders in one of the CDOs agreed to the proposed offer from the hedge fund, while the other three offers were not accepted. Our exposure to securities issued by the sole CDO with the accepted offer was $6.1 million of carrying value at June 30, 2010. This amount could be adversely affected if the sale of the performing collateral at significant discounts to fair value were to be permitted.

ZIONS BANCORPORATION AND SUBSIDIARIES

Certain holders, including the Company, of the more senior tranches of the CDO objected to the offer and the CDO trustee filed an interpleader action in the United States District Court for the Southern District of New York to resolve the validity of the offer. In the interim, the performing collateral will not be sold. As of June 30, 2010, the litigation was ongoing. The Company believes it has a substantial legal basis to block any such sales.

We do not expect that the ultimate judicial determination will permit the proposed sales, which would be in contravention of the terms of the governing agreements and of the seniority concepts within the CDO. We have not found that sufficient information was available to market participants at either the balance sheet date or filing date of the accompanying financial statements to support the expectation of an adverse outcome. As a result, we have not adjusted the projected cash flows at June 30, 2010 of the exposed CDO.

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value in accordance with ASC 815, *Derivatives and Hedging*. See Note 9 for a discussion of the determination of fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. During the first quarter of 2009, we terminated all fair value hedges and are amortizing their remaining balances into earnings, as discussed subsequently.

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

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

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

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

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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

Selected information with respect to notional amounts and recorded gross fair values at June 30, 2010 and 2009, and the related gain (loss) of derivative instruments for the three and six months then ended is summarized as follows *(in thousands)*:

				Amount of derivative gain (loss) recognized/reclassified							
				OCI		**Reclassified from AOCI to interest income**		**Noninterest income**		**Offset to interest expense**	
		Fair value									
	Notional amount	**Other assets**	**Other liabilities**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**
	June 30, 2010			**June 30, 2010**		**June 30, 2010**		**June 30, 2010**		**June 30, 2010**	
Derivatives designated as hedging instruments under ASC 815											
Asset derivatives											
Cash flow hedges[1]:											
Interest rate swaps	$ 545,000	$ 35,478	$	$ 4,910	$ 10,057	$ 15,848	$ 33,551				
Interest rate floors	150,000	3,074		(293)	1,388	842	1,648				
Terminated swaps and floors								$ 2,691	$ 6,588		
	695,000	38,552		4,617	11,445	16,690	35,199	2,691	6,588[3]		
Liability derivatives											
Fair value hedges:											
Terminated swaps on long-term debt										$ 710	$ 1,689
Total derivatives designated as hedging instruments	695,000	38,552		4,617	11,445	16,690	35,199	2,691	6,588	710	1,689
Derivatives not designated as hedging instruments under ASC 815											
Interest rate swaps	192,024	3,730	3,836					44	(224)		
Interest rate swaps for customers[2]	2,996,307	83,645	89,178					(1,969)	(3,337)		
Energy commodity swaps for customers[2]	19,000	916	909					(76)	(281)		
Basis swaps	225,000		283					(371)	(113)		
Futures contracts	4,797,000							574	683		
Total derivatives not designated as hedging instruments	8,229,331	88,291	94,206					(1,798)	(3,272)		
Total derivatives	$ 8,924,331	$ 126,843	$ 94,206	$ 4,617	$ 11,445	$ 16,690	$ 35,199	$ 893	$ 3,316	$ 710	$ 1,689

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

				Amount of derivative gain (loss) recognized/reclassified							
				OCI		**Reclassified from AOCI to interest income**		**Noninterest income**		**Offset to interest expense**	
		Fair value									
	Notional amount	**Other assets**	**Other liabilities**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**	**Three months ended**	**Six months ended**
	June 30, 2009			**June 30, 2009**		**June 30, 2009**		**June 30, 2009**		**June 30, 2009**	
Derivatives designated as hedging instruments under ASC 815											
Asset derivatives											
Cash flow hedges[1] :											
Interest rate swaps	$ 1,630,000	$ 121,810	$	$ (20,075)	$ (7,280)	$ 31,004	$ 60,745				
Interest rate floors	215,000	5,644		2,263	2,840	1,112	2,499				
Terminated swaps and floors								$ 13,156	$ 13,156		
	1,845,000	127,454		(17,812)	(4,440)	32,116	63,244	13,156	13,156 [3]		
Liability derivatives											
Fair value hedges:											
Terminated swaps on long-term debt										$ 10,161	$ 23,064
Terminated swap gain on debt modification								161,300	161,300		
Total derivatives designated as hedging instruments	1,845,000	127,454		(17,812)	(4,440)	32,116	63,244	174,456	174,456	10,161	23,064
Derivatives not designated as hedging instruments under ASC 815											
Interest rate swaps	242,948	5,345	5,027					(479)	463		
Interest rate swaps for customers[2]	3,660,961	76,113	74,748					4,299	8,435		
Energy commodity swaps for customers[2]	388,999	24,947	24,028					932	1,230		
Basis swaps	1,020,000	105	2,077					4,216	6,097		
Futures contracts	61,000							132	141		
Total derivatives not designated as hedging instruments	5,373,908	106,510	105,880					9,100	16,366		
Total derivatives	$ 7,218,908	$ 233,964	$ 105,880	$ (17,812)	$ (4,440)	$ 32,116	$ 63,244	$ 183,556	$ 190,822	$ 10,161	$ 23,064

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

[1] *Amounts recognized in OCI and reclassified from accumulated OCI (AOCI) represent the effective portion of the derivative gain (loss).*
[2] *Amounts include both the customer swaps and the offsetting derivative contracts.*
[3] *Amounts for the six months ended June 30, 2010 and 2009 of $6,588 and 13,156, respectively, which reflect the acceleration of OCI amounts reclassified to income that related to previously terminated hedges, together with the reclassification amounts of $35,199 and $63,244, or a total of $41,787 and $76,400, respectively, are the amounts of reclassification included in the changes in OCI presented in Note 7.*

At June 30, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $5.3 million and $(0.4) million in 2010, and $1.9 million and $3.4 million in 2009, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk.

Fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) have been offset against recognized fair value amounts of derivatives executed with the same counterparty under a master netting arrangement. In the balance sheet, cash collateral was used to reduce recorded amounts of derivative assets and liabilities by $1.5 million and $1.8 million at June 30, 2010, and $25.2 million and $6.6 million at June 30, 2009, respectively.

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

ZIONS BANCORPORATION AND SUBSIDIARIES

Futures contracts primarily consist of two types: (1) highly liquid exchange-traded federal funds futures contracts that are traded to manage interest rate risk on certain CDO securities. These identified mixed straddle contracts are executed to convert three- and six-month fixed cash flows into cash flows that vary with daily fluctuations in interest rates. (2) Eurodollar futures contracts that allow us to extend the duration of certain Federal Reserve account balances while locking in a higher return on those balances due to the upward sloping term structure of LIBOR rates. These contracts range from 90 days to one year in length. The accounts for both types of futures contracts are cash settled daily.

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

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following June 30, 2010, we estimate that additional projected gains of $25 million and accretion/amortization of $27 million, or a total of $52 million, will be reclassified.

6. GOODWILL

Impairment losses totaling $634.0 million were charged to goodwill during the first half of 2009. The losses primarily reflect impairment at Amegy.

7. DEBT AND SHAREHOLDERS EQUITY

During both the first and second quarters of 2010, we issued senior medium-term notes totaling approximately $120 million, with maturities from February 2011 to November 2012, and interest rates from 4.00% to 5.75%. We also redeemed medium-term notes of approximately $65 million. Also issued during the first quarter of 2010 were an additional $41 million of the 7.75% unsecured senior notes previously issued during the fourth quarter of 2009 that are due September 23, 2014.

During both the first and second quarters of 2010, a total of $137.7 million of convertible subordinated debt was converted into 137,658 shares of the Company s Series C preferred stock. The conversions included the transfer from common stock to preferred stock of approximately $22.6 million of the intrinsic value of the beneficial conversion feature included with common stock at the time of the debt modification in June 2009. Accelerated discount amortization on the converted debt increased interest expense during the first and second quarters of 2010 by approximately $71.7 million.

During the second quarter of 2010, we sold $142.5 million of Series E preferred stock with an initial dividend rate of 11%. The offering of this new preferred stock consisted of 5,700,000 depositary shares at $25 per share (each share representing a 1/40th ownership interest in a share of Series E Fixed-Rate Resettable Non-Cumulative Perpetual Preferred Stock).

ZIONS BANCORPORATION AND SUBSIDIARIES

During the second quarter of 2010, $8.6 million of Series A preferred stock was exchanged for 224,903 shares of the Company s common stock at the fair value on that date of $23.82 per share. The $5.5 million of common stock issued in this preferred stock redemption increased retained earnings by approximately $3.1 million.

During the second quarter of 2010, we sold 22,281,640 common stock warrants for $185.0 million at an offering price of $8.3028 per warrant. Net of commissions and fees, the issuance added $179.0 million to common stock.

During the first quarter of 2010, we completed our offer commenced on March 1, 2010 to exchange any and all of the Company s currently outstanding nonconvertible subordinated debt into shares of common stock. We issued 2,165,391 shares, or $46.9 million net of commissions and fees, in exchange for $55.6 million of debt. The net pretax gain on subordinated debt exchange included in the statement of income was approximately $14.5 million, and represented the difference between the carrying value of the debt exchanged and the fair value of the common stock issued, net of commissions and fees. The number of shares issued was determined using an exchange ratio based on a common stock price of $22.5433 per share, which was calculated based on the defined weighted average price of our common stock for each of the five consecutive days ending on the March 24, 2010 expiration date.

During both the first and second quarters of 2010, we sold under equity distribution agreements a total of 20,037,657 shares of common stock for $439.8 million (average price of $21.95). Net of commissions and fees, the total sales added $432.9 million to common stock.

During the second quarter of 2010, we liquidated our ownership of certain consolidated venture funds. We also changed the ownership structure of another venture fund such that we are no longer required to consolidate it under the new accounting guidance in ASC 810. The effect of these transactions and results of operations for the quarter decreased the amount of noncontrolling interests at June 30, 2010 by approximately $15.2 million. The consolidated financial statements were not otherwise significantly affected.

On May 28, 2010, Company shareholders approved an amendment to our Restated Articles of Incorporation to increase the number of authorized preferred shares from 3,000,000 to 4,400,000.

During June 2009, we recognized a pretax gain of $493.7 million when we modified certain subordinated debt to permit conversion into the Company s preferred stock. In this connection, we also recorded $201.2 million after-tax directly in common stock for the intrinsic value of the beneficial conversion feature of the modified subordinated debt. At the time of each conversion of the modified convertible debt to preferred stock, a proportional amount of the intrinsic value of the beneficial conversion feature is transferred from common stock to preferred stock. Debt discount of approximately $665.5 million was recorded in connection with the subordinated debt modification and is amortized to income using the interest method over the remaining terms of the subordinated debt. The rate of amortization is accelerated if and as holders of the subordinated debt elect to convert it into preferred stock through the immediate expensing of any unamortized discount associated with the converted debt.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The following summarizes the changes in accumulated other comprehensive income (loss) included in shareholders equity (*in thousands*):

	Net unrealized gains (losses) on investments, retained interests and other	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Six Months Ended June 30, 2010:				
Balance, December 31, 2009	$ (462,412)	$ 68,059	$ (42,546)	$ (436,899)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains, net of income tax expense of $2,826	4,880			4,880
Reclassification for net losses included in earnings, net of income tax benefit of $18,196	29,341			29,341
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $7,193	(11,612)			(11,612)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $43	70			70
Net unrealized losses, net of reclassification to earnings of $41,787 and income tax benefit of $11,605		(18,737)		(18,737)
Pension and postretirement, net of income tax benefit of $46			(63)	(63)
Other comprehensive income (loss)	22,679	(18,737)	(63)	3,879
Balance, June 30, 2010	$ (439,733)	$ 49,322	$ (42,609)	$ (433,020)
Six Months Ended June 30, 2009:				
Balance, December 31, 2008	$ (248,871)	$ 196,656	$ (46,743)	$ (98,958)
Cumulative effect of change in accounting principle, adoption of new OTTI guidance in ASC 320	(137,462)			(137,462)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $47,959	(78,512)			(78,512)
Reclassification for net losses included in earnings, net of income tax benefit of $40,275	63,296			63,296
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $44,706	(67,783)			(67,783)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $632	931			931
Net unrealized losses, net of reclassification to earnings of $76,400 and income tax benefit of $31,164		(49,676)		(49,676)
Other comprehensive loss	(82,068)	(49,676)		(131,744)
Balance, June 30, 2009	$ (468,401)	$ 146,980	$ (46,743)	$ (368,164)

8. INCOME TAXES

The effective rate of the income tax benefit for the second quarter of 2010 was mainly impacted by the proportional decrease of nontaxable items relative to the loss before income taxes. This decreased tax benefit was further reduced primarily by the taxable surrender of certain bank-owned life insurance policies and the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock.

ZIONS BANCORPORATION AND SUBSIDIARIES

9. FAIR VALUE

Fair Value Measurements

Effective January 1, 2010, we adopted ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, was issued by the FASB on January 21, 2010. The additional disclosures required about fair value measurements include, among other things, (1) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (2) the gross, rather than net, basis for certain Level 3 rollforward information, (3) use of a class basis rather than a major category basis for assets and liabilities, and (4) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The following information incorporates these new disclosure requirements except for the Level 3 rollforward information which is not required until the first quarter of 2011.

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

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

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

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

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

ZIONS BANCORPORATION AND SUBSIDIARIES

Available-for-sale and trading

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

U.S. Treasury, agencies and corporations

Valuation inputs utilized by the independent pricing service for those U.S. Treasury, agency and corporation securities under Level 2 include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform.

Municipal securities

Valuation inputs utilized by the independent pricing services for those municipal securities under Level 2 include the same inputs used for U.S. Treasury, agency and corporation securities. Also included are reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue data. Municipal securities under Level 3 are fair valued similar to the auction rate securities discussed subsequently.

Trust preferred collateralized debt obligations

Substantially all the CDO portfolio is fair valued under Level 3 using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models. The model used for estimating the fair value of bank and insurance trust preferred CDOs remains the same as disclosed in the Company s 2009 Annual Report on Form 10-K. Each quarter we seek to identify actual trades of securities in this asset class to determine whether the comparability of the security and the orderliness of the trades makes such reported price suitable for inclusion as or consideration in our fair value estimates in accordance with ASU 2010-06.

A licensed third party cash flow model, which requires the Company to input its own default assumptions, is used to estimate fair values of bank and insurance trust preferred CDOs. For privately owned banks, we utilize a statistical regression of quarterly regulatory ratios that we have identified as predictive of future bank failures to create a credit-specific probability of default (PD) for each issuer. The inputs and regression formula are updated quarterly to include the most recent available financial ratios and to utilize those financial ratios which have best predicted bank failures during this credit cycle (ratio-based approach).

For publicly traded banks, we first utilize a licensed third party proprietary reduced form model derived using logistic regression on a historical default database to produce PDs. This model requires equity valuation related inputs (along with other macro and issuer-specific inputs) to produce PDs, and therefore cannot be used for privately owned banks.

Nearly all of the failures within our predominantly bank CDO pools have come from those banks that have previously deferred the payment of interest on their trust preferred securities. The terms of the securities within the CDO pools generally allow for deferral of current interest for five years without causing default.

We have found that for publicly traded deferring banks, the ratio-based approach generally resulted in higher PDs than did the licensed third party proprietary reduced model for banks that subsequently failed. To better project publicly traded bank failures, we utilize the higher of the PDs from our ratio-based approach and those from the licensed third party model for publicly traded deferring banks.

ZIONS BANCORPORATION AND SUBSIDIARIES

After identifying collateral level PDs, we modify the PDs of deferring collateral by a calibration adjustment. The licensed third party cash flow model then projects the expected cash flows for CDO tranches. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO s structure to generate cash flow projections for each tranche of the CDO. The presence of OTTI is identified and the amount of the credit component of OTTI is calculated by discounting the resulting loss-adjusted cash flows at each tranche s coupon rate and comparing that value to the Company s amortized cost of the tranche. The fair value of each tranche is determined by discounting its resultant loss-adjusted cash flows with appropriate current market-based discount rates.

The discount rate assumption used for valuation purposes for each CDO tranche is derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers. The data set includes a publicly traded trust preferred security which is in deferral with regard to the payment of current interest. The discount margins on the traded securities, including the deferring security, are used to determine a relationship between the discount margin and expected losses, which relationship is then applied to the CDOs.

For the second quarter of 2010, the Company utilized a discount rate range of LIBOR+3.75% for the highest quality/most over-collateralized tranches and LIBOR+23.8% for the lowest credit quality tranche in order to reflect market level assumptions for structured finance securities. In addition, in order to acknowledge the greater uncertainty in the cash flows of those junior trust preferred CDO tranches that are PIKing (capitalizing interest), the Company utilized a discount rate of at least LIBOR+13% using the forward LIBOR curve. These discount rates are in addition to the credit related discounts applied to the cash flows for each tranche. The range of the projected cumulative credit loss of the CDO pools varies extensively across pools and ranges between 8.3% and 58.1%.

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

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

Auction rate securities

Auction rate securities are fair valued under Level 3 using a market approach based on various market data inputs, including AAA municipal and corporate bond yield curves, credit ratings and leverage of each closed-end fund, and market yields for municipal bonds and commercial paper.

Private equity investments

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in financial institutions. Fair values are determined from net asset values provided by the partnerships. Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been material subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Derivatives

Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter (OTC). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued under Level 1 because they are traded in active markets. OTC derivatives consist of interest rate swaps and options as well as energy commodity derivatives for customers. These derivatives are fair valued under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following schedule include the foreign currency exchange contracts that are not included in Note 5 in accordance with ASC 815. The amounts are also presented net of the cash collateral offsets discussed in Note 5.

Securities sold, not yet purchased

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

ZIONS BANCORPORATION AND SUBSIDIARIES

Assets and liabilities measured at fair value by class on a recurring basis, including one security in 2009 elected under the fair value option, are summarized as follows at June 30, 2010 and 2009 *(in thousands)*:

	June 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ 37,596	$ 1,391,355		$ 1,428,951
Municipal securities		166,667	$ 57,755	224,422
Asset-backed securities:				
Trust preferred banks and insurance		1,686	1,311,398	1,313,084
Trust preferred real estate investment trusts			23,493	23,493
Auction rate			157,078	157,078
Other (including ABS CDOs)		13,015	71,821	84,836
Mutual funds and stock	177,819	6,765		184,584
	215,415	1,579,488	1,621,545	3,416,448
Trading account		85,707		85,707
Other noninterest-bearing investments:				
Private equity		4,794	147,612	152,406
Other assets:				
Derivatives:				
Interest rate related and other		42,073		42,073
Interest rate swaps for customers		83,645		83,645
Foreign currency exchange contracts	6,128			6,128
	6,128	125,718		131,846
	$ 221,543	$ 1,795,707	$ 1,769,157	$ 3,786,407
LIABILITIES				
Securities sold, not yet purchased	$ 39,796	$ 41,715		$ 81,511
Other liabilities:				
Derivatives:				
Interest rate related and other		3,864		3,864
Interest rate swaps for customers		89,178		89,178
Foreign currency exchange contracts	5,855			5,855
	5,855	93,042		98,897
Other			$ 470	470
	$ 45,651	$ 134,757	$ 470	$ 180,878

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury and agencies	$ 24,528	$ 1,530,909		$ 1,555,437
Municipal securities		188,175	$ 64,658	252,833
Asset-backed securities:				
Trust preferred banks and insurance		1,341	1,534,823	1,536,164
Trust preferred real estate investment trusts			34,580	34,580
Auction rate			171,252	171,252
Other		23,863	83,466	107,329
Mutual funds and stock	242,516	3,784		246,300
	267,044	1,748,072	1,888,779	3,903,895
Trading account		78,559	49[1]	78,608
Other noninterest-bearing investments:				
Private equity		26,024	155,680	181,704
Other assets:				
Derivatives	5,336	208,254		213,590
	$ 272,380	$ 2,060,909	$ 2,044,508	$ 4,377,797
LIABILITIES				
Securities sold, not yet purchased	$ 8,701	$ 42,408		$ 51,109
Other liabilities:				
Derivatives	5,070	80,336		85,406
Other			$ 215	215
	$ 13,771	$ 122,744	$ 215	$ 136,730

[1] *Elected under fair value option, as discussed subsequently.*

Selected additional information regarding key model inputs and assumptions used to fair value certain asset-backed securities by class under Level 2 and Level 3 include the following at June 30, 2010 *(dollars in thousands)*:

	Fair value at June 30, 2010	Valuation approach	Constant default rate (CDR)	Loss severity	Prepayment rate
Asset-backed securities:					
Trust preferred banks	$ 1,103,667	Income	Pool specific[3]	100%	0% for 5 years; 2% for years 6 to maturity
Trust preferred insurance	377,393	Income	Pool specific[4]	100%	6.5% per year
Trust preferred individual	21,834	Market			
	1,502,894[1]				
Trust preferred real estate investment trusts	23,493	Income	Pool specific[5]	10-100%	0% per year
Other (including ABS CDOs)	102,622[2]	Income	[6]	17-100%	Collateral weighted average life

Collateral specific

[1] *Includes $1,313.1 million of AFS securities and $189.8 million of HTM securities.*
[2] *Includes $84.8 million of AFS securities and $17.8 million of HTM securities.*
[3] *CDR ranges: yr 1 0.61% to 22.9%; yrs 2-5 0.15% to 1.66%; yrs 6 to maturity 0.03% to 0.32%.*
[4] *CDR ranges: yr 1 0.49% to 1.41%; yrs 2-5 0.52% to 0.85%; yrs 6 to maturity 0.10% to 0.18%.*
[5] *CDR ranges: yr 1 2.4% to 8.3%; yrs 2-3 2.9% to 6.0%; yrs 4-6 1.0%; yrs 6 to maturity 0.50%.*
[6] *These are predominantly ABS CDOs whose collateral is rated. CDR and loss severities are built up from the loan level and vary by collateral ratings, asset class, and vintage.*

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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

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

Vintage year	Fair value at June 30, 2010	Percentage of total fair value AAA	A	BBB	Percentage of total fair value by vintage
2001	$ 123,314	10.2%	0.9%	0.0%	11.1%
2002	258,702	20.4%	3.0%	0.0%	23.4%
2003	406,409	28.2%	8.0%	0.7%	36.9%
2004	189,868	7.0%	10.2%	0.0%	17.2%
2005	17,328	1.0%	0.5%	0.1%	1.6%
2006	61,687	3.0%	2.2%	0.4%	5.6%
2007	46,359	4.2%	0.0%	0.0%	4.2%
	$ 1,103,667	74.0%	24.8%	1.2%	100.0%

The following reconciles the beginning and ending balances of assets and liabilities for the three and six months ended June 30, 2010 and 2009 that are measured at fair value by class on a recurring basis using Level 3 inputs *(in thousands)*:

	Level 3 Instruments Three Months Ended June 30, 2010						
	Municipal securities	Trust preferred banks and insurance	Trust preferred REIT	Auction rate	Other asset-backed	Private equity investments	Other liabilities
Balance at April 1, 2010	$ 63,206	$ 1,351,269	$ 23,854	$ 156,795	$ 57,373	$ 161,884	$ (553)
Total net gains (losses) included in:							
Statement of income:							
Dividends and other investment income						2,930	
Equity securities losses, net						(1,502)	
Fixed income securities gains, net	404	71		38			
Net impairment losses on investment securities		(14,634)	(1,643)		(1,842)		
Other noninterest expense							83
Other comprehensive income (loss)	(361)	(21,846)	1,282	190	19,172		
Purchases, sales, issuances, and settlements, net	(5,494)	(3,462)		55	(2,882)	(15,700)	
Balance at June 30, 2010	$ 57,755	$ 1,311,398	$ 23,493	$ 157,078	$ 71,821	$ 147,612	$ (470)

	Level 3 Instruments Six Months Ended June 30, 2010						
	Municipal securities	Trust preferred	Trust preferred REIT	Auction rate	Other asset-backed	Private equity investments	Other liabilities

		banks and insurance					
Balance at January 1, 2010	$ 64,314	$ 1,359,444	$ 24,018	$ 159,440	$ 62,430	$ 158,941	$ (522)
Total net gains (losses) included in:							
Statement of income:							
Dividends and other investment income						5,284	
Equity securities losses, net						(4,667)	
Fixed income securities gains, net	433	658		265	355		
Net impairment losses on investment securities		(41,860)	(3,725)		(3,786)		
Other noninterest expense							52
Other comprehensive income (loss)	(463)	(1,960)	3,150	963	24,723		
Purchases, sales, issuances, and settlements, net	(6,529)	(4,884)	50	(3,590)	(11,901)	(11,946)	
Balance at June 30, 2010	$ 57,755	$ 1,311,398	$ 23,493	$ 157,078	$ 71,821	$ 147,612	$ (470)

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

	Level 3 Instruments Three Months Ended June 30, 2009							
	Municipal securities	Trust preferred banks and insurance	Trust preferred REIT	Auction rate	Other asset-backed	Trading account[1]	Private equity investments	Other liabilities
Balance at April 1, 2009	$ 68,641	$ 897,650	$ 21,019	$ 177,880	$ 65,293	$ 49	$ 150,504	$ (136)
Total net gains (losses) included in:								
Statement of income:								
Dividends and other investment income (loss)							(1,631)	
Fixed income securities gains (losses), net				247				
Net impairment losses on investment securities		(3,030)	(18,351)					
Valuation losses on securities purchased	(2,793)			(2,733)	(1,774)			
Other noninterest expense								(79)
Other comprehensive income (loss)	90	113,772	16,579	(658)	3,057			
Fair value of HTM securities transferred to AFS		529,268	15,280		12,464			
Purchases, sales, issuances, and settlements, net	(1,280)	(2,837)	53	(3,484)	4,426		6,807	
Balance at June 30, 2009	$ 64,658	$ 1,534,823	$ 34,580	$ 171,252	$ 83,466	$ 49	$ 155,680	$ (215)

	Level 3 Instruments Six Months Ended June 30, 2009							
	Municipal securities	Trust preferred banks and insurance	Trust preferred REIT	Auction rate	Other asset-backed	Trading account[1]	Private equity investments	Other liabilities
Balance at January 1, 2009	$	$ 659,253	$ 23,897	$ 1,710	$ 65,557	$ 956	$ 143,511	$ (527)
Total net gains (losses) included in:								
Statement of income:								
Dividends and other investment income (loss)							(1,720)	
Fair value and nonhedge derivative income (loss)						(907)		
Equity securities gains, net							109	
Fixed income securities gains (losses), net				247				
Net impairment losses on investment securities		(9,593)	(67,266)		(927)			
Valuation losses on securities purchased	(6,977)	(172,729)	(8,945)	(17,265)	(1,774)			
Other noninterest expense								312
Other comprehensive income (loss)	89	(14,745)	46,561	(659)	3,067			
Fair value of HTM securities transferred to AFS		565,282	15,280		15,674			
Purchases, sales, issuances, and settlements, net	68,271	507,355	25,053	182,039	1,869		13,780	
Net transfers in (out)	3,275			5,180				
Balance at June 30, 2009	$ 64,658	$ 1,534,823	$ 34,580	$ 171,252	$ 83,466	$ 49	$ 155,680	$ (215)

[1] *Elected under fair value option, as discussed subsequently.*

The preceding reconciling amounts using Level 3 inputs include the following realized gains (losses) *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Dividends and other investment income	$ 1,290	$	$ 2,194	$ 248
Equity securities gains, net	1,157		905	

Fixed income securities gains, net	513	247	1,711	247
Net impairment losses on investment securities sold		(18,351)		(67,015)

ZIONS BANCORPORATION AND SUBSIDIARIES

Assets with fair value changes during the periods indicated that are measured at fair value by class on a nonrecurring basis are summarized as follows *(in thousands)*:

	Fair value at June 30, 2010				Gains (losses) from fair value changes	
	Level 1	Level 2	Level 3	Total	Three months ended June 30, 2010	Six months ended June 30, 2010
ASSETS						
HTM securities adjusted for OTTI			$ 3,657	$ 3,657	$ (139)	$ (151)
Loans held for sale		$ 20,228		20,228		
Impaired loans			287,570	287,570	(21,498)	(93,145)
Other real estate owned		144,146		144,146	(51,333)	(81,307)
	$	$ 164,374	$ 291,227	$ 455,601	$ (72,970)	$ (174,603)

	Fair value at June 30, 2009				Gains (losses) from fair value changes	
	Level 1	Level 2	Level 3	Total	Three months ended June 30, 2009	Six months ended June 30, 2009
ASSETS						
HTM securities adjusted for OTTI			$ 4,179	$ 4,179	$ (806)	$ (1,761)
Loans held for sale		$ 17,614		17,614		60
Impaired loans			280,346	280,346	(47,930)	(113,142)
Other real estate owned		78,965		78,965	(22,027)	(40,209)
	$	$ 96,579	$ 284,525	$ 381,104	$ (70,763)	$ (155,052)

Loans held for sale relate to loans purchased under the Small Business Administration 7(a) program. They are fair valued under Level 2 based on quotes of comparable instruments.

Impaired loans are fair valued under Level 3 based on the fair value of the collateral for loans that are collateral-dependent, or the present value of future cash flows for loans not collateral-dependent.

Other real estate owned is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time of transfer and as appropriate thereafter.

Fair Value Option

ASC 825, *Financial Instruments*, allows for the option to report certain financial assets and liabilities at fair value initially and at subsequent measurement dates with changes in fair value included in earnings. The fair value option may be applied instrument by instrument, but is on an irrevocable basis. The one AFS REIT trust preferred CDO security indicated previously was sold in December 2009.

ZIONS BANCORPORATION AND SUBSIDIARIES

Fair Value of Certain Financial Instruments

Following is a summary of the carrying values and estimated fair values of certain financial instruments *(in thousands)*:

	June 30, 2010		June 30, 2009	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
HTM investment securities	$ 852,606	$ 802,370	$ 937,942	$ 891,186
Loans and leases (including loans held for sale), net of allowance	36,628,561	36,328,746	40,311,469	40,034,915
Financial liabilities:				
Time deposits	4,664,845	4,718,138	7,301,118	7,409,674
Foreign deposits	1,683,925	1,684,090	1,974,583	1,975,730
FHLB advances and other borrowings	234,147	239,873	67,053	68,038
Long-term debt	1,903,605	2,355,809	1,885,913	2,097,307

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

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

The fair value of time and foreign deposits, FHLB advances, and other borrowings is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates; as such, their carrying amounts approximate fair value. The estimated fair value of long-term debt is based on actual market trades (i.e., an asset value) when available or discounting cash flows using the LIBOR yield curve adjusted for credit spreads.

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

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

10. GUARANTEES, COMMITMENTS AND CONTINGENCIES

The following are guarantees issued by the Company *(in thousands)*:

	June 30, 2010	December 31, 2009	June 30, 2009
Standby letters of credit:			
Financial	$ 1,000,033	$ 1,071,851	$ 1,197,138
Performance	207,838	182,423	207,838
	$ 1,207,871	$ 1,254,274	$ 1,404,976

The Company s 2009 Annual Report on Form 10-K contains further information about these letters of credit including their terms and collateral requirements. At June 30, 2010, the Company had recorded approximately $15.2 million as a liability for these guarantees, which consisted of $9.7 million attributable to the reserve for unfunded lending commitments and $5.5 million of deferred commitment fees.

As of June 30, 2010, the Parent has guaranteed approximately $300.1 million of debt of affiliated trusts issuing trust preferred securities.

11. RETIREMENT PLANS

The following discloses the net periodic benefit cost (credit) and its components for the Company s pension and postretirement plans *(in thousands)*:

	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended June 30,						Six Months Ended June 30,					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Service cost	$ 53	$ 76	$	$	$ 9	$ 9	$ 106	$ 153	$	$	$ 18	$ 17
Interest cost	2,162	2,216	147	165	16	16	4,323	4,431	318	330	26	32
Expected return on plan assets	(2,053)	(1,765)					(4,106)	(3,531)				
Amortization of prior service cost (credit)			31	31	(61)	(61)			62	62	(122)	(122)
Settlement loss									13			
Amortization of net actuarial (gain) loss	1,488	1,642	(2)	(7)	(37)	(49)	2,976	3,284	18	(14)	(74)	(98)
Net periodic benefit cost (credit)	$ 1,650	$ 2,169	$ 176	$ 189	$ (73)	$ (85)	$ 3,299	$ 4,337	$ 411	$ 378	$ (152)	$ (171)

As disclosed in the Company s 2009 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

12. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of June 30, 2010, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 106 branches in Utah and 27 branches in Idaho. CB&T operates 106 branches in California. Amegy operates 84 branches in Texas. NBA operates 75 branches in Arizona. NSB operates 55 branches in Nevada. Vectra operates 37 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon. Additionally, Zions Bank, CB&T, Amegy, NBA, Vectra, and TCBW each operate a foreign branch in the Grand Cayman Islands.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The operating segment identified as Other includes the Parent, Zions Management Services Company (ZMSC), certain nonbank financial service and financial technology subsidiaries, other smaller nonbank operating units, TCBO, and eliminations of transactions between segments. ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

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

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the three months ended June 30, 2010 and 2009:

	Zions Bank		CB&T		Amegy		NBA		NSB	
(In millions)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
CONDENSED INCOME STATEMENT										
Net interest income	$ 186.0	$ 173.1	$ 119.3	$ 112.1	$ 98.8	$ 94.2	$ 44.6	$ 43.4	$ 33.9	$ 36.3
Provision for loan losses	90.5	221.8	40.6	57.6	46.4	168.0	4.8	147.1	34.3	151.0
Net interest income after provision for loan losses	95.5	(48.7)	78.7	54.5	52.4	(73.8)	39.8	(103.7)	(0.4)	(114.7)
Net impairment losses on investment securities		(5.8)		(6.9)						(0.4)
Valuation losses on securities purchased		(11.7)								
Gain on subordinated debt modification										
Acquisition related gains				6.5						16.5
Other noninterest income	40.9	32.5	25.5	47.7	37.1	34.9	8.3	12.9	10.4	16.9
Noninterest expense	145.8	138.8	81.5	71.4	78.6	78.9	47.8	44.2	39.5	43.8
Income (loss) before income taxes	(9.4)	(172.5)	22.7	30.4	10.9	(117.8)	0.3	(135.0)	(29.5)	(125.5)
Income tax expense (benefit)	(11.5)	(65.6)	8.4	11.6	2.6	(41.8)	0.1	(53.4)	(10.4)	(44.0)
Net income (loss)	2.1	(106.9)	14.3	18.8	8.3	(76.0)	0.2	(81.6)	(19.1)	(81.5)
Net income (loss) applicable to noncontrolling interests										
Net income (loss) applicable to controlling interest	2.1	(106.9)	14.3	18.8	8.3	(76.0)	0.2	(81.6)	(19.1)	(81.5)
Preferred stock dividends						(1.0)				
Preferred stock redemption										
Net earnings (loss) applicable to common shareholders	$ 2.1	$ (106.9)	$ 14.3	$ 18.8	$ 8.3	$ (77.0)	$ 0.2	$ (81.6)	$ (19.1)	$ (81.5)
AVERAGE BALANCE SHEET DATA										
Total assets	$ 18,598	$ 20,854	$ 11,084	$ 10,679	$ 11,769	$ 11,658	$ 4,434	$ 4,865	$ 4,070	$ 4,295
Total securities	1,847	1,982	310	681	591	676	223	199	348	233
Net loans and leases	13,618	14,475	8,588	8,562	7,920	8,832	3,379	3,945	2,586	3,229
Allowance for loan losses	382	246	243	135	407	170	182	147	291	133
Goodwill, core deposit and other intangibles	20	20	393	389	681	695	17	20	9	12
Noninterest-bearing demand deposits	2,591	2,248	3,152	2,667	4,470	3,156	1,101	945	1,203	1,026
Total deposits	14,313	16,210	9,698	8,524	9,288	9,096	3,698	3,962	3,452	3,721
Shareholder s equity:										
Preferred equity	480	250	262	159	487	80	305	430	360	312
Common equity	1,286	1,036	1,143	1,153	1,447	1,426	323	315	253	231
Noncontrolling interests	(1)	1								
Total shareholder s equity	1,765	1,287	1,405	1,312	1,934	1,506	628	745	613	543

	Vectra	TCBW	Other

	2010	2009	2010	2009	2010	2009	Consolidated Company 2010	Consolidated Company 2009
CONDENSED INCOME STATEMENT								
Net interest income	$ 27.1	$ 26.8	$ 7.6	$ 8.1	$ (104.0)	$ (0.3)	$ 413.3	$ 493.7
Provision for loan losses	8.3	12.1	3.8	5.0	(0.1)	0.1	228.6	762.7
Net interest income after provision for loan losses	18.8	14.7	3.8	3.1	(103.9)	(0.4)	184.7	(269.0)
Net impairment losses on investment securities	(0.7)	(0.1)			(17.4)	(28.7)	(18.1)	(41.9)
Valuation losses on securities purchased								(11.7)
Gain on subordinated debt modification						493.7		493.7
Acquisition related gains								23.0
Other noninterest income	7.3	8.4	0.6	2.6	(2.6)	(6.3)	127.5	149.6
Noninterest expense	24.0	26.5	4.6	3.9	8.6	12.0	430.4	419.5
Income (loss) before income taxes	1.4	(3.5)	(0.2)	1.8	(132.5)	446.3	(136.3)	(75.8)
Income tax expense (benefit)	0.2	(1.6)	(0.1)	0.6	(12.2)	170.4	(22.9)	(23.8)
Net income (loss)	1.2	(1.9)	(0.1)	1.2	(120.3)	275.9	(113.4)	(52.0)
Net income (loss) applicable to noncontrolling interests					(0.4)	(1.2)	(0.4)	(1.2)
Net income (loss) applicable to controlling interest	1.2	(1.9)	(0.1)	1.2	(119.9)	277.1	(113.0)	(50.8)
Preferred stock dividends		(0.1)			(25.3)	(24.3)	(25.3)	(25.4)
Preferred stock redemption					3.1	52.4	3.1	52.4
Net earnings (loss) applicable to common shareholders	$ 1.2	$ (2.0)	$ (0.1)	$ 1.2	$ (142.1)	$ 305.2	$ (135.2)	$ (23.8)
AVERAGE BALANCE SHEET DATA								
Total assets	$ 2,330	$ 2,515	$ 813	$ 809	$ (1,228)	$ (1,606)	$ 51,870	$ 54,069
Total securities	294	256	158	190	554	690	4,325	4,907
Net loans and leases	1,883	2,046	575	586	62	123	38,611	41,798
Allowance for loan losses	74	35	14	11	2		1,595	876
Goodwill, core deposit and other intangibles					(1)	6	1,119	1,143
Noninterest-bearing demand deposits	610	472	227	188	(35)	(7)	13,319	10,696
Total deposits	1,935	2,016	613	579	(767)	(1,150)	42,230	42,959
Shareholder s equity:								
Preferred equity	71	10	15		(355)	347	1,625	1,588
Common equity	195	172	70	77	(346)	(393)	4,371	4,018
Noncontrolling interests					17	24	16	25
Total shareholder s equity	266	182	85	77	(684)	(22)	6,012	5,631

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the six months ended June 30, 2010 and 2009:

	Zions Bank		**CB&T**		**Amegy**		**NBA**		**NSB**	
(In millions)	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
CONDENSED INCOME STATEMENT										
Net interest income	$ 366.3	$ 327.4	$ 232.7	$ 224.7	$ 199.2	$ 186.6	$ 89.8	$ 90.5	$ 70.0	$ 70.3
Provision for loan losses	177.6	286.8	82.5	92.4	97.2	213.5	26.0	199.0	87.0	240.3
Net interest income after provision for loan losses	188.7	40.6	150.2	132.3	102.0	(26.9)	63.8	(108.5)	(17.0)	(170.0)
Net impairment losses on investment securities		(8.3)		(16.8)						(1.4)
Loss on sale of investment securities to Parent	(54.8)									
Valuation losses on securities purchased		(203.0)				(7.5)				
Gain on subordinated debt exchange										
Gain on subordinated debt modification										
Acquisition related gains				6.5						16.5
Other noninterest income	85.1	100.0	51.8	71.2	72.4	76.4	15.8	27.4	19.8	28.1
Noninterest expense	275.1	257.6	156.8	135.5	153.4	153.8	87.5	86.4	76.0	82.6
Impairment loss on goodwill						633.3				
Income (loss) before income taxes	(56.1)	(328.3)	45.2	57.7	21.0	(745.1)	(7.9)	(167.5)	(73.2)	(209.4)
Income tax expense (benefit)	(8.5)	(128.5)	21.0	21.9	4.9	(41.4)	(3.1)	(66.3)	(25.8)	(73.4)
Net income (loss)	(47.6)	(199.8)	24.2	35.8	16.1	(703.7)	(4.8)	(101.2)	(47.4)	(136.0)
Net income (loss) applicable to noncontrolling interests	0.1									
Net income (loss) applicable to controlling interest	(47.7)	(199.8)	24.2	35.8	16.1	(703.7)	(4.8)	(101.2)	(47.4)	(136.0)
Preferred stock dividends				(0.9)		(1.5)				
Preferred stock redemption										
Net earnings (loss) applicable to common shareholders	$ (47.7)	$ (199.8)	$ 24.2	$ 34.9	$ 16.1	$ (705.2)	$ (4.8)	$ (101.2)	$ (47.4)	$ (136.0)
AVERAGE BALANCE SHEET DATA										
Total assets	$ 18,705	$ 20,942	$ 11,064	$ 10,626	$ 11,603	$ 11,999	$ 4,439	$ 4,857	$ 4,087	$ 4,200
Total securities	1,896	1,835	301	697	593	659	214	200	346	204
Net loans and leases	13,717	14,503	8,708	8,406	8,075	8,905	3,452	4,000	2,644	3,215
Allowance for loan losses	372	233	235	127	402	149	189	135	292	110
Goodwill, core deposit and other intangibles	20	20	394	394	682	1,008	17	21	9	10
Noninterest-bearing demand deposits	2,508	2,178	3,096	2,584	4,287	3,013	1,072	918	1,170	973

Total deposits	14,140	16,289	9,693	8,453	9,192	8,956	3,705	3,940	3,458	3,635
Shareholder s equity:										
Preferred equity	470	250	262	158	439	80	354	430	360	290
Common equity	1,289	1,047	1,139	1,130	1,443	1,737	278	335	268	246
Noncontrolling interests		1								
Total shareholder s equity	1,759	1,298	1,401	1,288	1,882	1,817	632	765	628	536

	Vectra		**TCBW**		**Other**		**Consolidated Company**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
CONDENSED INCOME STATEMENT								
Net interest income	$ 54.4	$ 50.3	$ 15.0	$ 16.4	$ (158.8)	$ 2.3	$ 868.6	$ 968.5
Provision for loan losses	17.2	21.0	6.7	7.2		0.1	494.2	1,060.3
Net interest income after provision for loan losses	37.2	29.3	8.3	9.2	(158.8)	2.2	374.4	(91.8)
Net impairment losses on investment securities	(0.9)	(2.0)			(48.4)	(96.1)	(49.3)	(124.6)
Loss on sale of investment securities to Parent					54.8			
Valuation losses on securities purchased						(1.6)		(212.1)
Gain on subordinated debt exchange					14.5		14.5	
Gain on subordinated debt modification						493.7		493.7
Acquisition related gains								23.0
Other noninterest income	16.0	15.2	1.1	3.7	(10.2)	(34.5)	251.8	287.5
Noninterest expense	45.7	49.0	8.8	8.3	16.1	22.5	819.4	795.7
Impairment loss on goodwill						0.7		634.0
Income (loss) before income taxes	6.6	(6.5)	0.6	4.6	(164.2)	340.5	(228.0)	(1,054.0)
Income tax expense (benefit)	6.4	(3.0)	0.1	1.5	(46.5)	113.7	(51.5)	(175.5)
Net income (loss)	0.2	(3.5)	0.5	3.1	(117.7)	226.8	(176.5)	(878.5)
Net income (loss) applicable to noncontrolling interests					(3.4)	(1.7)	(3.3)	(1.7)
Net income (loss) applicable to controlling interest	0.2	(3.5)	0.5	3.1	(114.3)	228.5	(173.2)	(876.8)
Preferred stock dividends		(0.1)			(51.6)	(49.2)	(51.6)	(51.7)
Preferred stock redemption					3.1	52.4	3.1	52.4
Net earnings (loss) applicable to common shareholders	$ 0.2	$ (3.6)	$ 0.5	$ 3.1	$ (162.8)	$ 231.7	$ (221.7)	$ (876.1)
AVERAGE BALANCE SHEET DATA								
Total assets	$ 2,370	$ 2,570	$ 819	$ 822	$ (1,375)	$ (1,285)	$ 51,712	$ 54,731
Total securities	296	259	162	193	519	651	4,327	4,698
Net loans and leases	1,903	2,048	575	588	63	125	39,137	41,790
Allowance for loan losses	74	32	14	9	2	1	1,580	796
Goodwill, core deposit and other intangibles					1	7	1,123	1,460
Noninterest-bearing demand deposits	615	459	217	190	(31)	(12)	12,934	10,303
Total deposits	1,964	2,056	615	576	(729)	(1,359)	42,038	42,546
Shareholder s equity:								
Preferred equity	68	10	15		(401)	368	1,567	1,586
Common equity	198	181	70	76	(384)	(279)	4,301	4,473

Noncontrolling interests					16	25	16	26
Total shareholder s equity	266	191	85	76	(769)	114	5,884	6,085

38

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

13. SUBSEQUENT EVENT

As disclosed in a Form 8-K filing on July 29, 2010, we have entered into a total return swap and related interest rate swaps (TRS) with Deutsche Bank AG relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, Deutsche Bank will assume all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). We can cancel the TRS quarterly after the first year and remove individual securities on or after the end of the sixth year. Additionally, with the consent of Deutsche Bank, we can transfer the TRS to a third party in part or in whole. Deutsche Bank cannot cancel the TRS except in the event of nonperformance by the Company and under certain other circumstances customary to ISDA swap agreements.

This transfer of credit risk is expected to reduce the Company s regulatory capital risk weighting for these investments. The underlying securities were originally rated primarily A and BBB and currently carry some of the highest risk-weightings of the securities in the Company s portfolio. As a result, the transaction is expected to reduce regulatory risk-weighted assets and improve the Company s risk-based capital ratios.

This transaction does not qualify for hedge accounting and will not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. Further, we will not recognize any gain or loss on the securities as a result of entering into the TRS.

Both the fair value of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. Absent major changes in these projected cash flows, we do not expect the value of the TRS to change significantly from what is expected to be a negative initial valuation. The negative initial valuation is expected to be approximately $23 million, which is equal to the costs to the Company under the TRS during the first year (that is, during the period that we are unable to cancel the transaction).

Including the $23 million and structuring costs of $12 million for the transaction, we expect to incur $35 million of costs in the first year of the transaction.

After the first year of the transaction, we expect to incur subsequent net quarterly costs of approximately $5.3 million as long as the TRS remains in place for this CDO portfolio. The payments under the transaction generally include or arise from (1) payments by Deutsche Bank to the Company of all scheduled payments of interest and principal when contractually due to the Company, and payment by the Company to Deutsche Bank of a fixed quarterly or semiannual guarantee fee based on the notional amount of the CDO portfolio in the transaction; (2) an interest rate swap pursuant to which Deutsche Bank pays the Company a fixed interest rate and the Company pays to Deutsche Bank a floating interest rate (generally three month LIBOR) on the notional amount of the CDO portfolio in the transaction; and (3) a third swap between the Company and Deutsche Bank included in the transaction in order to hedge each party s exposure to change in interests rates over the life of the transaction. In addition, under the terms of the transaction, payments from the CDOs will continue to be made to the Company and retained by the Company; this recovery amount, plus assumed reinvestment earnings at an imputed interest rate, generally three month LIBOR, will offset principal payments that Deutsche Bank would otherwise be required to make.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

The cost information provided above represents the Company s estimate of the net effect of these various payments. Payments under the third swap begin on the second payment date of each covered security. If the forward interest rates projected in mid-July occur, no net payment will be due by either party under this third swap. If rates increase more than projected, the payment will be to the Company from Deutsche Bank and if less than projected the payment will be the reverse. The Company s costs are also subject to adjustment in the event of future changes in regulatory requirements applicable to Deutsche Bank, if we do not then elect to terminate the transaction. Should such cost increases occur in the first year, we may cancel the transaction with no payment due beyond the liability already incurred. Termination by the Company for such regulatory changes applicable to Deutsche Bank after year one will result in no payment by the Company**.**

At the end of every quarter, we expect to complete a valuation process, which is expected to result in a Level 3 fair valuation for the TRS. The process is expected to utilize valuation inputs from two sources:

1) The Company will build on its fair valuation process for the underlying CDO portfolio and utilize those same projected cash flows to quantify the extent and timing of payments to be received from the Trustee related to each CDO and in aggregate. These cash flows, plus assumed reinvestment earnings constitute a recovery amount, the extent of which will offset Deutsche Bank s required principal payments. The internal valuation is expected to utilize the Company s estimate of each of the cash flows to/from each leg of the derivative and from each covered CDO through maturity and also through the first date on which we may terminate. For valuation purposes, we will assume that a market participant would cancel the TRS at the first opportunity if the TRS did not have a positive value based on the best estimates of cash flows through maturity. Consequently the fair value would be expected to be approximately the amount of required payments up to the earliest termination date.

2) A valuation from market participants, if any or as applicable, which may constitute an observable input from a market participant in possession of all relevant terms and costs of the TRS structure.

We will need to consider the observable input or inputs from market participants as well as the result of our internal model in determining the fair value of the TRS each quarter.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Statements in Management s Discussion and Analysis that are based on other than historical data are forward-looking, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation (the Parent) and its subsidiaries (collectively the Company, Zions, we, our, us);

- statements preceded by, followed by or that include the words may, could, should, would, believe, anticipate, estimate, expe plan, projects, or similar expressions.

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

- the Company s ability to successfully execute its business plans, manage its risks, and achieve its objectives;

- changes in political and economic conditions, including without limitation the political and economic effects of the current economic crisis, delay of recovery from the current economic crisis, and other major developments, including wars, military actions and terrorist attacks;

- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation, reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;

- fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing;

- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;

- acquisitions and integration of acquired businesses;

- increases in the levels of losses, customer bankruptcies, bank failures, claims and assessments;

changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the Board of Governors of the Federal Reserve Board System (the FRB or the Federal Reserve Board), and the Federal Deposit Insurance Corporation (FDIC);

the Company s participation or lack of participation in governmental programs implemented under the Emergency Economic Stabilization Act (EESA) and the American Recovery and Reinvestment Act (ARRA), including without limitation the Troubled Asset Relief Program (TARP) and the Capital Purchase Program (CPP) and the impact of such programs and related regulations on the Company and on international, national, and local economic and financial markets and conditions;

ZIONS BANCORPORATION AND SUBSIDIARIES

the impact of the EESA and the ARRA and related rules and regulations, and changes in those rules and regulations, on the business operations and competitiveness of the Company and other participating American financial institutions, including the impact of the executive compensation limits of these acts, which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;

The impact of the financial reform bill, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, and rules and regulations thereunder.

continuing consolidation in the financial services industry;

new litigation or changes in existing litigation;

success in gaining regulatory approvals, when required;

changes in consumer spending and savings habits;

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

demand for financial services in the Company s market areas;

inflation and deflation;

technological changes and the Company s implementation of new technologies;

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

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

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

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

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

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the 2009 Annual Report on Form 10-K of Zions Bancorporation filed with the Securities and Exchange Commission (SEC) and available at the SEC s Internet site (http://www.sec.gov).

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

42

ZIONS BANCORPORATION AND SUBSIDIARIES

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company has made no significant changes in its critical accounting policies and significant estimates from those disclosed in its 2009 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The Company reported a net loss applicable to common shareholders of $135.2 million or $0.84 per diluted share for the second quarter of 2010 compared to a net loss applicable to common shareholders of $23.8 million or $0.21 per diluted share for the second quarter of 2009. The declined result is primarily due to a $493.7 million decrease in gain from subordinated debt modification, a $49.3 million decrease in preferred stock redemption, a $42.1 million decrease in interest and fees on loans, a $26.4 million increase in total interest expense, a $23.0 million decrease in acquisition related gains, a $21.9 million decrease in fair value and nonhedge derivative income, an $18.7 million increase in other real estate expense, and an $11.8 million increase in other expenses, partially offset by a $534.0 million decrease in provision for loan losses, a $23.9 million reduction in net impairment losses on investment securities, a $15.9 million decline in FDIC premiums, a $11.7 million decrease in valuation losses on securities purchased, and a $7.4 million decrease in provision for unfunded lending commitments.

Net loss applicable to common shareholders for the first six months of 2010 was $221.7 million, or $1.42 per diluted share, compared to net loss applicable to common shareholders of $876.1 million, or $7.62 per diluted share for the first six months of 2009. The improved result reflects a $566.1 million decrease in the provision for loan losses, a $212.1 million decrease in valuation losses on purchased securities, a $75.3 million decrease in the net impairment on investment securities, a $29.4 million decrease in provision for unfunded lending commitments, a $14.5 million gain on subordinated debt exchange, and a $13.7 million decrease in total interest expense, partially offset by a $493.7 million decrease in gain on subordinated debt modification, a $124.0 million decline in income tax benefit, a $113.5 million decrease in total interest income, a $49.3 million decrease in preferred stock redemption, a $33.0 million increase in other real estate expense, a $23.7 million decline in fair value and nonhedge derivative income, a $23.0 million reduction in acquisition related gains, and a $22.4 million increase in other expenses.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-bearing assets and interest incurred on interest-bearing liabilities. Taxable-equivalent net interest income for the second quarter of 2010 decreased by 16.1% to $419.0 million compared with $499.4 million for the comparable period of 2009. This decline reflects the impact of multiple factors, including lower balances of interest-earning assets, and lower rates at which the assets earn interest, higher nonperforming assets, higher discount amortization, and higher accelerated discount amortization on convertible subordinated debt, partially offset by lower balances of and lower interest rates paid on interest bearing deposits. Lower earning assets resulted from classification of loans as nonaccrual, continued charge-offs, and pay-downs in a period of continued weak demand for new loans.

By its nature, net interest income is especially vulnerable to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities significantly impact net interest income. During the first six months of 2010, the Company s liquidity improved due to the fact that customer deposits increased while loan balances decreased. See Interest Rate and Market Risk Management for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and associated risk.

ZIONS BANCORPORATION AND SUBSIDIARIES

A gauge that we use to measure the Company s success in managing its net interest income is the level and stability of the net interest margin. The net interest margin was 3.58% for the second quarter of 2010, compared to 4.03% for the first quarter of 2010 and 4.10% for the second quarter of 2009. The decrease for the second quarter of 2010 compared to the first quarter of 2010 was driven primarily by the accelerated amortization of approximately $60.5 million (pretax), or 52 basis points, of discount related to convertible subordinated debt. Its impact was partially offset by increased interest income resulting from accretion on acquired loans based on increased projected cash flows. The net interest margin decrease for the second quarter 2010 compared to the second quarter of 2009 was primarily due to lower balances of and lower interest rates earned on interest earning assets, increased discount amortization related to convertible subordinated debt, and the accelerated amortization of approximately $60.5 million (pretax) of discount related to the conversion of convertible subordinated debt to preferred stock. The effect of these changes was partially offset by increased low cost deposit funding.

The Company believes that the core net interest margin is more reflective of its performance than the net interest margin. The core net interest margin is calculated by excluding the impact of discount amortization on convertible subordinated debt, accelerated discount amortization on convertible subordinated debt, and additional second quarter accretion of interest income on acquired loans from the net interest margin. The core net interest margin was 4.26% and 4.14% for the first and second quarters of 2010, respectively, and 4.09% for second quarter of 2009.

The spread on average interest-bearing funds for the second quarter of 2010 was 2.89%, which decreased from 3.57% for the first quarter of 2010 and from 3.73% for the second quarter of 2009. The spread on average interest-bearing funds for the second quarter of 2010 was affected by the same factors that had an impact on the net interest margin.

The net interest margin will continue to be adversely affected in future quarters due to the level of nonperforming assets and the amortization of debt discounts related to the debt modification transactions that occurred in 2009. These transactions resulted in a discount on the modified convertible subordinated debt, which as of June 30, 2010 was $515.1 million. This discount is 51% of the total $1,008.8 million of outstanding convertible subordinated notes and will be amortized as interest expense over the remaining life of the debt using the interest method. If debt holders exercise their options to convert debt to preferred stock in future periods, the amortization of the discount will be accelerated at the time of conversion.

The Company expects to continue its efforts over the long run to maintain a slightly asset-sensitive position with regard to interest rate risk. However, because of the current low interest rate environment the Company has allowed its balance sheet to become more asset-sensitive than has historically been the case. With interest rates at historically low levels, there is a reduced need to protect against falling interest rates. Our estimates of the Company s actual rate risk position are highly dependent upon changes in both short-term and long-term interest rates, account balance fluctuations, modeling assumptions, and the actions of competitors and customers in response to those changes. Further detail on interest rate risk is discussed in the Company s 2009 Annual Report on Form 10-K in Interest Rate Risk on page 117 and in this filing in Interest Rate Risk.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Unaudited)

(In thousands)	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate
ASSETS						
Money market investments	$ 3,853,275	$ 2,601	0.27%	$ 1,944,332	$ 1,543	0.32%
Securities:						
Held-to-maturity	888,466	14,093	6.36%	1,491,322	18,284	4.92%
Available-for-sale	3,364,126	22,433	2.67%	3,336,239	29,717	3.57%
Trading account	72,322	657	3.64%	79,554	823	4.15%
Total securities	4,324,914	37,183	3.45%	4,907,115	48,824	3.99%
Loans held for sale	166,612	1,937	4.66%	256,253	3,082	4.82%
Loans:						
Net loans and leases excluding FDIC-supported loans [2]	37,345,580	521,087	5.60%	40,991,516	579,070	5.67%
FDIC-supported loans	1,265,319	26,537	8.41%	806,154	10,921	5.43%
Total loans and leases	38,610,899	547,624	5.69%	41,797,670	589,991	5.66%
Total interest-earning assets	46,955,700	589,345	5.03%	48,905,370	643,440	5.28%
Cash and due from banks	1,444,343			1,236,641		
Allowance for loan losses	(1,594,814)			(876,064)		
Goodwill	1,015,161			1,017,382		
Core deposit and other intangibles	104,083			125,768		
Other assets	3,945,496			3,659,882		
Total assets	$ 51,869,969			$ 54,068,979		
LIABILITIES						
Interest-bearing deposits:						
Savings and NOW	$ 6,026,526	5,230	0.35%	$ 4,931,024	5,292	0.43%
Money market	16,292,870	28,894	0.71%	17,787,662	59,657	1.35%
Time under $100,000	2,247,255	7,643	1.36%	2,942,319	19,254	2.62%
Time $100,000 and over	2,590,056	8,376	1.30%	4,628,867	28,475	2.47%
Foreign	1,754,944	2,610	0.60%	1,972,503	4,848	0.99%
Total interest-bearing deposits	28,911,651	52,753	0.73%	32,262,375	117,526	1.46%
Borrowed funds:						
Securities sold, not yet purchased	41,473	511	4.94%	47,804	637	5.34%
Federal funds purchased and security repurchase agreements	871,441	311	0.14%	2,047,532	1,591	0.31%
FHLB advances and other borrowings:						

One year or less	205,373	2,664	5.20%	153,549	1,433	3.74%
Over one year	15,611	194	4.98%	35,777	476	5.34%
Long-term debt	1,963,082	113,959	23.28%	2,714,211	22,345	3.30%
Total borrowed funds	3,096,980	117,639	15.24%	4,998,873	26,482	2.12%
Total interest-bearing liabilities	32,008,631	170,392	2.14%	37,261,248	144,008	1.55%
Noninterest-bearing deposits	13,318,836			10,696,423		
Other liabilities	530,457			480,256		
Total liabilities	45,857,924			48,437,927		
Shareholders equity:						
Preferred equity	1,624,856			1,587,752		
Common equity	4,371,255			4,018,032		
Controlling interest shareholders equity	5,996,111			5,605,784		
Noncontrolling interests	15,934			25,268		
Total shareholders equity	6,012,045			5,631,052		
Total liabilities and shareholders equity	$ 51,869,969			$ 54,068,979		
Spread on average interest-bearing funds			2.89%			3.73%
Taxable-equivalent net interest income and net yield on interest-earning assets		$ 418,953	3.58%		$ 499,432	4.10%

[1] *Taxable-equivalent rates used where applicable.*

[2] *Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.*

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES (Continued)

(Unaudited)

	Six Months Ended June 30, 2010			Six Months Ended June 30, 2009		
(In thousands)	**Average balance**	**Amount of interest [1]**	**Average rate**	**Average balance**	**Amount of interest [1]**	**Average rate**
ASSETS						
Money market investments	$ 3,044,720	$ 4,040	0.27%	$ 2,450,206	$ 4,919	0.40%
Securities:						
Held-to-maturity	893,996	24,914	5.62%	1,638,154	46,830	5.76%
Available-for-sale	3,371,487	46,052	2.75%	2,991,697	54,002	3.64%
Trading account	61,884	1,132	3.69%	67,895	1,394	4.14%
Total securities	4,327,367	72,098	3.36%	4,697,746	102,226	4.39%
Loans held for sale	172,987	4,300	5.01%	250,502	5,838	4.70%
Loans:						
Net loans and leases excluding FDIC-supported loans [2]	37,807,534	1,048,984	5.60%	41,186,589	1,158,090	5.67%
FDIC-supported loans	1,329,192	45,739	6.94%	602,912	17,964	6.01%
Total loans and leases	39,136,726	1,094,723	5.64%	41,789,501	1,176,054	5.68%