

ZIONS BANCORPORATION /UT/
Form 10-Q
November 07, 2013

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

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

For the quarterly period ended September 30, 2013

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

(State or other jurisdiction of
incorporation or organization)

87-0227400

(I.R.S. Employer
Identification No.)

One South Main, 15th Floor

Salt Lake City, Utah

(Address of principal executive offices)

84133

(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 No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

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

Common Stock, without par value, outstanding at October 31, 2013

184,615,234 shares

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

(In thousands, except share amounts)	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Cash and due from banks	\$1,365,082	\$1,841,907
Money market investments:		
Interest-bearing deposits	8,180,639	5,978,978
Federal funds sold and security resell agreements	209,070	2,775,354
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value \$727,908 and \$674,741)	777,849	756,909
Available-for-sale, at fair value	3,333,889	3,091,310
Trading account, at fair value	38,278	28,290
	4,150,016	3,876,509
Loans held for sale	114,810	251,651
Loans, net of unearned income and fees:		
Loans and leases	37,897,869	37,137,006
FDIC-supported loans	374,861	528,241
	38,272,730	37,665,247
Less allowance for loan losses	797,523	896,087
Loans, net of allowance	37,475,207	36,769,160
Other noninterest-bearing investments	851,349	855,462
Premises and equipment, net	720,365	708,882
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	39,667	50,818
Other real estate owned	66,381	98,151
Other assets	1,001,597	1,290,917
	\$55,188,312	\$55,511,918
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$18,566,137	\$18,469,458
Interest-bearing:		
Savings and money market	22,806,132	22,896,624
Time	2,689,688	2,962,931
Foreign	1,607,409	1,804,060
	45,669,366	46,133,073
Securities sold, not yet purchased	21,183	26,735
Federal funds purchased and security repurchase agreements	252,591	320,478
Other short-term borrowings	—	5,409
Long-term debt	2,304,301	2,337,113
Reserve for unfunded lending commitments	84,147	106,809
Other liabilities	523,915	533,660
Total liabilities	48,855,503	49,463,277

Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,003,970	1,128,302
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,600,005 and 184,199,198 shares	4,172,887	4,166,109
Retained earnings	1,540,455	1,203,815
Accumulated other comprehensive income (loss)	(384,503	) (446,157)
Controlling interest shareholders' equity	6,332,809	6,052,069
Noncontrolling interests	—	(3,428)
Total shareholders' equity	6,332,809	6,048,641
	\$55,188,312	\$55,511,918

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income:				
Interest and fees on loans	\$442,366	\$473,162	\$1,356,107	\$1,427,882
Interest on money market investments	6,175	5,349	17,378	15,076
Interest on securities:				
Held-to-maturity	7,739	8,337	23,559	26,621
Available-for-sale	16,917	22,042	53,657	70,290
Trading account	210	110	687	596
Total interest income	473,407	509,000	1,451,388	1,540,465
Interest expense:				
Interest on deposits	14,506	19,049	45,291	63,285
Interest on short-term borrowings	71	193	241	1,228
Interest on long-term debt	43,309	51,597	141,563	173,969
Total interest expense	57,886	70,839	187,095	238,482
Net interest income	415,521	438,161	1,264,293	1,301,983
Provision for loan losses	(5,573)	(1,889)	(56,598)	24,628
Net interest income after provision for loan losses	421,094	440,050	1,320,891	1,277,355
Noninterest income:				
Service charges and fees on deposit accounts	44,701	44,951	132,610	131,909
Other service charges, commissions and fees	45,977	44,679	134,596	127,923
Trust and wealth management income	7,120	6,521	21,846	20,952
Capital markets and foreign exchange	7,309	6,026	21,535	19,102
Dividends and other investment income	12,101	11,686	36,164	42,708
Loan sales and servicing income	8,464	10,695	30,138	29,334
Fair value and nonhedge derivative loss	(4,403)	(5,820)	(12,805)	(17,004)
Equity securities gains, net	3,165	2,683	8,206	11,935
Fixed income securities gains, net	1,580	3,046	3,726	9,285
Impairment losses on investment securities:				
Impairment losses on investment securities	(10,470)	(3,876)	(46,873)	(46,175)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	1,403	1,140	23,472	25,922
Net impairment losses on investment securities	(9,067)	(2,736)	(23,401)	(20,253)
Other	5,243	3,495	15,942	9,820
Total noninterest income	122,190	125,226	368,557	365,711
Noninterest expense:				
Salaries and employee benefits	229,185	220,223	686,302	665,622
Occupancy, net	28,230	28,601	83,570	84,721
Equipment, software and furniture	26,560	27,122	79,179	81,216
Other real estate expense	(831)	207	2,736	14,457
Credit-related expense	7,265	13,316	27,144	39,216
Provision for unfunded lending commitments	(19,935)	2,264	(22,662)	3,428
Professional and legal services	16,462	12,749	44,082	36,792
Advertising	6,091	7,326	17,791	19,751
FDIC premiums	9,395	11,278	29,230	32,641
Amortization of core deposit and other intangibles	3,570	4,241	11,151	12,794

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Debt extinguishment cost	—	—	40,282	—
Other	64,671	67,648	220,884	198,365
Total noninterest expense	370,663	394,975	1,219,689	1,189,003
Income before income taxes	172,621	170,301	469,759	454,063
Income taxes	61,107	60,704	164,832	163,599
Net income	111,514	109,597	304,927	290,464
Net loss applicable to noncontrolling interests	—	(254)	(336)	(800)
Net income applicable to controlling interest	111,514	109,851	305,263	291,264
Preferred stock dividends	(27,507)	(47,529)	(77,547)	(148,238)
Preferred stock redemption	125,700	—	125,700	—
Net earnings applicable to common shareholders	\$209,707	\$62,322	\$353,416	\$143,026
Weighted average common shares outstanding during the period:				
Basic shares	184,112	183,237	183,721	183,008
Diluted shares	184,742	183,383	184,144	183,162
Net earnings per common share:				
Basic	\$1.13	\$0.34	\$1.90	\$0.77
Diluted	1.12	0.34	1.90	0.77
See accompanying notes to consolidated financial statements.				

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 111,514	\$ 109,597	\$ 304,927	\$ 290,464
Other comprehensive income (loss), net of tax:				
Net unrealized holding gains (losses) on investment securities	(14,159)	43,484	63,937	72,529
Noncredit-related impairment losses on securities not expected to be sold	(867)	(703)	(13,751)	(16,006)
Reclassification to earnings for realized net fixed income securities losses	(976)	(1,881)	(2,301)	(5,868)
Reclassification to earnings for net credit-related impairment losses on investment securities	5,588	1,690	14,136	12,296
Accretion of securities with noncredit-related impairment losses not expected to be sold	285	192	880	724
Net unrealized holding gains on derivative instruments	239	48	236	225
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(57)	(1,421)	(1,483)	(6,554)
Other comprehensive income (loss)	(9,947)	41,409	61,654	57,346
Comprehensive income	101,567	151,006	366,581	347,810
Comprehensive loss applicable to noncontrolling interests	—	(254)	(336)	(800)
Comprehensive income applicable to controlling interest	\$ 101,567	\$ 151,260	\$ 366,917	\$ 348,610
See accompanying notes to consolidated financial statements.				

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

(In thousands, except share and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
		Shares	Amount				
Balance at December 31, 2012	\$1,128,302	184,199,198	\$4,166,109	\$1,203,815	\$(446,157)	\$(3,428)	\$6,048,641
Net income (loss) for the period				305,263		(336)	304,927
Other comprehensive income					61,654		61,654
Issuance of preferred stock 800,000			(15,627)				784,373
Preferred stock redemption(925,748)			580	125,700			(799,468)
Subordinated debt converted to preferred stock	1,416		(206)				1,210
Net activity under employee plans and related tax benefits		400,807	26,197				26,197
Dividends on preferred stock				(77,547)			(77,547)
Dividends on common stock, \$0.09 per share				(16,667)			(16,667)
Change in deferred compensation				(109)			(109)
Other changes in noncontrolling interests			(4,166)			3,764	(402)
Balance at September 30, 2013	\$1,003,970	184,600,005	\$4,172,887	\$1,540,455	\$(384,503)	\$—	\$6,332,809
Balance at December 31, 2011	\$2,377,560	184,135,388	\$4,163,242	\$1,036,590	\$(592,084)	\$(2,080)	\$6,983,228
Net income (loss) for the period				291,264		(800)	290,464
Other comprehensive income					57,346		57,346
Issuance of preferred stock 143,750			(2,408)				141,342
Preferred stock redemption(1,542,500)			3,830	(3,830)			(1,542,500)
Subordinated debt converted to preferred stock	99,871		(14,519)				85,352
Net activity under employee plans and related tax benefits		21,014	11,856				11,856
Dividends on preferred stock	44,696			(148,238)			(103,542)

Dividends on common stock, \$0.03 per share				(5,546)				(5,546)
Change in deferred compensation				237				237
Other changes in noncontrolling interests							18	18
Balance at September 30, 2012	\$1,123,377	184,156,402	\$4,162,001	\$1,170,477	\$(534,738)	\$(2,862)		\$5,918,255

See accompanying notes to consolidated financial statements.

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 111,514	\$ 109,597	\$ 304,927	\$ 290,464
Adjustments to reconcile net income to net cash provided by operating activities:				
Debt extinguishment cost	—	—	40,282	—
Net impairment losses on investment securities	9,067	2,736	23,401	20,253
Provision for credit losses	(25,508	) 375	(79,260	) 28,056
Depreciation and amortization	42,134	47,810	133,893	167,119
Deferred income tax expense (benefit)	5,832	6,458	(612	) 25,513
Net decrease (increase) in trading securities	(11,876	) 6,576	(10,005	) 26,310
Net decrease (increase) in loans held for sale	49,696	(77,225	) 173,142	(5,848
Net write-downs of and gains/losses from sales of other real estate owned	(1,824	) 309	(1,332	) 13,650
Change in other liabilities	28,047	(10,692	) (17,463	) (41,222
Change in other assets	70,753	21,314	243,428	110,137
Other, net	(5,362	) (13,692	) (16,568	) (32,064
Net cash provided by operating activities	272,473	93,566	793,833	602,368
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	12,100	490,947	364,623	(356,703
Proceeds from maturities and paydowns of investment securities held-to-maturity	14,404	37,016	95,841	91,701
Purchases of investment securities held-to-maturity	(8,121	) (4,450	) (128,089	) (38,188
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	246,147	187,180	864,643	863,354
Purchases of investment securities available-for-sale	(408,333	) (73,636	) (1,019,454	) (667,566
Proceeds from sales of loans and leases	5,041	24,665	16,098	64,452
Net loan and lease originations	(112,316	) (397,845	) (744,263	) (379,615
Net decrease (increase) in other noninterest-bearing investments	(62	) 2,549	19,972	14,723
Net purchases of premises and equipment	(20,905	) (15,145	) (63,438	) (47,962
Proceeds from sales of other real estate owned	27,417	59,876	80,076	157,760
Net cash received (paid) for divestitures	3,786	2,667	3,786	(19,901
Net cash provided by (used in) investing activities	(240,842	) 313,824	(510,205	) (317,945
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	653,311	612,290	(463,707	) 926,287
Net change in short-term funds borrowed	17,159	(392,564	) (78,848	) (243,356
Proceeds from issuance of long-term debt	116,461	49,082	484,408	648,468
Repayments of long-term debt	(153	) (7,604	) (570,167	) (262,783
Debt extinguishment cost paid	—	—	(23,305) —
Cash paid for preferred stock redemption	(799,468	) (700,000	) (799,468	) (1,542,500
Proceeds from issuances of common and preferred stock	200,040	513	792,557	142,516

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Dividends paid on common and preferred stock	(34,935)	(32,770)	(94,214)	(109,088)
Other, net	(2,061)	(92)	(7,709)	(7,399)
Net cash provided by (used in) financing activities	150,354	(471,145)	(760,453)	(447,855)
Net increase (decrease) in cash and due from banks	181,985	(63,755)	(476,825)	(163,432)
Cash and due from banks at beginning of period	1,183,097	1,124,673	1,841,907	1,224,350
Cash and due from banks at end of period	\$1,365,082	\$1,060,918	\$1,365,082	\$1,060,918
Cash paid for interest	\$45,134	\$65,384	\$149,047	\$172,712
Net cash paid for income taxes	32,453	67,772	156,456	127,456
See accompanying notes to consolidated financial statements.				

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ZIONS BANCORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

September 30, 2013

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation (“the Parent”) and its majority-owned subsidiaries (collectively “the Company,” “Zions,” “we,” “our,” “us”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. References to GAAP, including standards promulgated by the Financial Accounting Standards Board (“FASB”), are made according to sections of the Accounting Standards Codification (“ASC”) and to Accounting Standards Updates (“ASU”). Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three and nine months ended September 30, 2013 and 2012 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2012 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s 2012 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through subsidiary banks 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 (“NBAZ”); Nevada State Bank (“NSB”); Vectra Bank Colorado (“Vectra”), in Colorado and New Mexico; The Commerce Bank of Washington (“TCBW”); and The Commerce Bank of Oregon (“TCBO”). The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2013	2012	September 30, 2013	2012
Loans transferred to other real estate owned	\$12,098	\$37,140	\$52,916	\$141,439
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	—	917	206	14,519
Subordinated debt converted to preferred stock	—	5,386	1,210	85,352
Preferred stock transferred to common stock as a result of the Series C preferred stock redemption	580	—	580	—
Preferred stock/beneficial conversion feature transferred to retained earnings as a result of the Series C preferred stock redemption	125,700	—	125,700	—

3. CASH AND MONEY MARKET INVESTMENTS

Effective January 1, 2013, we adopted ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which limited the scope of ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This new guidance under ASC 210, Balance Sheet, applies to the offsetting of derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase (or resell) agreements, and securities borrowing and

lending transactions. To provide convergence with disclosures under International Financial

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ZIONS BANCORPORATION AND SUBSIDIARIES

Reporting Standards (“IFRS”), the new guidance requires entities to present both gross and net information about these financial instruments, including those subject to a master netting arrangement. The change in disclosure is required on a retrospective basis for all prior periods presented.

Security resell and repurchase agreements are offset in the balance sheet according to master netting agreements. Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company’s balance sheet. See Note 6 for further information regarding derivative instruments.

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

September 30, 2013

Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/pledged	
Assets:						
Federal funds sold and security resell agreements	\$209,070	\$—	\$209,070	\$—	\$ —	\$209,070
Derivatives (included in other assets)	55,568	—	55,568	(8,282)	—	47,286
	\$264,638	\$—	\$264,638	\$(8,282)	\$ —	\$256,356
Liabilities:						
Federal funds purchased and security repurchase agreements	\$252,591	\$—	\$252,591	\$—	\$ —	\$252,591
Derivatives (included in other liabilities)	59,914	—	59,914	(8,282)	(37,232)	14,400
	\$312,505	\$—	\$312,505	\$(8,282)	\$(37,232)	\$266,991

December 31, 2012

Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/pledged	
Assets:						
Federal funds sold and security resell agreements	\$3,675,354	\$(900,000)	\$2,775,354	\$—	\$ —	\$2,775,354
Derivatives (included in other assets)	81,810	—	81,810	(409)	—	81,401

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\$3,757,164 \$(900,000) \$2,857,164 \$(409) \$ — \$2,856,755

Liabilities:

Federal funds purchased and security repurchase agreements	\$1,220,478	\$(900,000)	\$320,478	\$—	\$ —	\$320,478
Derivatives (included in other liabilities)	89,100	—	89,100	(409)	(81,683)	7,008
	\$1,309,578	\$(900,000)	\$409,578	\$(409)	\$ (81,683)	\$327,486

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ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

Investment securities are summarized below. Note 9 discusses the process to estimate fair value for investment securities.

(In thousands)	September 30, 2013				Not recognized in OCI		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	\$558,134	\$—	\$—	\$558,134	\$11,537	\$5,061	\$564,610
Asset-backed securities:							
Trust preferred securities – banks and insurance	255,159	—	54,432	200,727	5,879	55,058	151,548
Other	21,061	—	2,173	18,888	900	8,138	11,650
Other debt securities	100	—	—	100	—	—	100
	834,454	—	56,605	777,849	18,316	68,257	727,908
Available-for-sale							
U.S. Treasury securities	39,908	136	—	40,044			40,044
U.S. Government agencies and corporations:							
Agency securities	440,170	2,120	197	442,093			442,093
Agency guaranteed mortgage-backed securities	308,964	11,619	609	319,974			319,974
Small Business Administration loan-backed securities	1,139,211	27,829	1,614	1,165,426			1,165,426
Municipal securities	64,694	1,509	1,034	65,169			65,169
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,521,628	14,391	534,123	1,001,896			1,001,896
Trust preferred securities – real estate investment trusts	39,391	—	19,874	19,517			19,517
Auction rate securities	6,506	135	16	6,625			6,625
Other	18,496	406	2,788	16,114			16,114
	3,578,968	58,145	560,255	3,076,858			3,076,858
Mutual funds and other	262,493	182	5,644	257,031			257,031
	3,841,461	58,327	565,899	3,333,889			3,333,889
Total	\$4,675,915	\$58,327	\$622,504	\$4,111,738			\$4,061,797

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2012						
	Amortized cost	Recognized in OCI			Not recognized in OCI		
		Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	\$524,738	\$—	\$—	\$524,738	\$12,837	\$709	\$536,866
Asset-backed securities:							
Trust preferred securities – banks and insurance	255,647	—	42,964	212,683	114	86,596	126,201
Other	21,858	—	2,470	19,388	709	8,523	11,574
Other debt securities	100	—	—	100	—	—	100
	802,343	—	45,434	756,909	13,660	95,828	674,741
Available-for-sale							
U.S. Treasury securities	104,313	211	—	104,524			104,524
U.S. Government agencies and corporations:							
Agency securities	108,814	3,959	116	112,657			112,657
Agency guaranteed mortgage-backed securities	406,928	18,598	16	425,510			425,510
Small Business Administration loan-backed securities	1,124,322	29,245	639	1,152,928			1,152,928
Municipal securities	75,344	2,622	1,970	75,996			75,996
Asset-backed securities:							
Trust preferred securities – banks and insurance	1,596,156	16,687	663,451	949,392			949,392
Trust preferred securities – real estate investment trusts	40,485	—	24,082	16,403			16,403
Auction rate securities	6,504	79	68	6,515			6,515
Other	25,614	701	6,941	19,374			19,374
	3,488,480	72,102	697,283	2,863,299			2,863,299
Mutual funds and other	228,469	194	652	228,011			228,011
	3,716,949	72,296	697,935	3,091,310			3,091,310
Total	\$4,519,292	\$72,296	\$743,369	\$3,848,219			\$3,766,051

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of September 30, 2013 by expected maturity distribution for structured asset-backed collateralized debt obligations 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	\$66,525	\$66,502	\$466,546	\$441,052

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Due after one year through five years	200,748	198,494	1,112,538	1,050,208
Due after five years through ten years	213,234	179,794	640,232	597,543
Due after ten years	353,947	283,118	1,359,652	988,055
	\$834,454	\$727,908	\$3,578,968	\$3,076,858

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ZIONS BANCORPORATION AND SUBSIDIARIES

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

(In thousands)	September 30, 2013					
	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	\$4,247	\$91,497	\$814	\$10,915	\$5,061	\$102,412
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	109,490	151,350	109,490	151,350
Other	—	—	10,311	11,291	10,311	11,291
	4,247	91,497	120,615	173,556	124,862	265,053
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	119	24,255	78	6,495	197	30,750
Agency guaranteed mortgage-backed securities	605	41,847	4	609	609	42,456
Small Business Administration loan-backed securities	784	76,868	830	39,855	1,614	116,723
Municipal securities	20	2,871	1,014	8,507	1,034	11,378
Asset-backed securities:						
Trust preferred securities – banks and insurance	1,138	54,760	532,985	840,551	534,123	895,311
Trust preferred securities – real estate investment trusts	—	—	19,874	19,518	19,874	19,518
Auction rate securities	—	—	16	896	16	896
Other	—	—	2,788	13,514	2,788	13,514
	2,666	200,601	557,589	929,945	560,255	1,130,546
Mutual funds and other	5,644	124,448	—	—	5,644	124,448
	8,310	325,049	557,589	929,945	565,899	1,254,994
Total	\$12,557	\$416,546	\$678,204	\$1,103,501	\$690,761	\$1,520,047

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(In thousands)	December 31, 2012		12 months or more		Total Gross unrealized losses	Estimated fair value
	Less than 12 months Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value		
Held-to-maturity						
Municipal securities	\$630	\$42,613	\$79	\$5,910	\$709	\$48,523
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	129,560	126,019	129,560	126,019
Other	—	—	10,993	10,904	10,993	10,904
	630	42,613	140,632	142,833	141,262	185,446
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	35	18,633	81	6,916	116	25,549
Agency guaranteed mortgage-backed securities	10	6,032	6	629	16	6,661
Small Business Administration loan-backed securities	91	15,199	548	69,011	639	84,210
Municipal securities	61	4,898	1,909	11,768	1,970	16,666
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	663,451	765,421	663,451	765,421
Trust preferred securities – real estate investment trusts	—	—	24,082	16,403	24,082	16,403
Auction rate securities	—	—	68	2,459	68	2,459
Other	—	—	6,941	15,234	6,941	15,234
	197	44,762	697,086	887,841	697,283	932,603
Mutual funds and other	652	112,324	—	—	652	112,324
	849	157,086	697,086	887,841	697,935	1,044,927
Total	\$1,479	\$199,699	\$837,718	\$1,030,674	\$839,197	\$1,230,373

At September 30, 2013 and December 31, 2012, respectively, 207 and 84 held-to-maturity (“HTM”) and 258 and 256 available -for-sale (“AFS”) investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

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

Credit-related OTTI is recognized in earnings while noncredit-related OTTI on securities not expected to be sold is recognized in other comprehensive income (“OCI”). Noncredit-related OTTI is based on other factors, including illiquidity. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI. For securities classified as HTM, the amount of noncredit-related OTTI recognized in OCI

is accreted using the effective interest rate method to the credit-adjusted expected cash flow amounts of the securities over future periods.

Our 2012 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at September 30, 2013:

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OTTI – Municipal Securities

The HTM securities are purchased directly from municipalities and are generally not rated by a credit rating agency. Most of the AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three and nine months ended September 30, 2013.

OTTI – Asset-Backed Securities

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

Market yield requirements for bank CDO securities remain high. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option, which each collateral issuer maintains during the life of the CDO, and the payment in kind feature described subsequently. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the contractual interest rates. Virtually all structured asset-backed security (“ABS”) fair values, including bank CDOs, deteriorated significantly during the recent financial crisis, generally reaching a low in mid-2009. Prices for some structured products have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to be characterized by considerable uncertainty surrounding collateral behavior, specifically including, but not limited to, prepayments; the future number, size and timing of bank failures; holding company bankruptcies; and allowed deferrals and subsequent resumption of payment or default due to nonpayment of contractual interest. Structural features of the collateral make these CDO tranches difficult to model. The first feature unique to bank CDOs is the interest deferral feature previously noted. Throughout the financial crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals are likely to either transition to default or, alternatively, come current prior to the five-year deadline is extremely difficult for market participants to assess. Our CDO pools include an issuer that first exercised this deferral option during the second quarter of 2008 and failed to come current within the allowable 20 quarter deferral period causing default. At September 30, 2013, 107 banks underlying our CDO tranches had come current after a period of deferral, while 158 were deferring, but remained within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind (“PIK”) feature, which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities is instead used to pay down the principal balance of the most senior CDO securities. The delay in payment caused by PIKING results in lower security fair values even if PIKING is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

Ratings are generally below investment grade for even some of the most senior tranches. Ratings on a number of CDO tranches vary significantly among rating agencies. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater

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illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.

4) There is a lack of consistent disclosure by each CDO's trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for nonspecialists in the product.

5) At purchase, the expectation of cash flow variability was limited. As a result of the crisis, we have seen extreme variability of collateral performance both compared to expectations and between different pools.

Our ongoing review of these securities determined that OTTI should be recorded for the three and nine months ended September 30, 2013.

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. Based on our review, OTTI for these securities was recorded for the three and nine months ended September 30, 2013.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart at their carrying values and then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality and widening of credit spreads for asset backed securities. Based on our review, OTTI for one of these securities was recorded for the three and nine months ended September 30, 2013.

OTTI – U.S. Government Agencies and Corporations

Small Business Administration (“SBA”) Loan-Backed Securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three and nine months ended September 30, 2013.

OTTI – Mutual Funds and Other

A substantial portion of these securities is included in a mutual fund that consists primarily of fixed rate residential and agriculture mortgage-backed securities issued by the Government National Mortgage Association (“GNMA”). Contractual cash flows in the pool of mortgage loans are backed by the U.S. Government. Because the decline in fair value is not attributable to credit quality, no OTTI for these securities was recorded for the three and nine months ended September 30, 2013.

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

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

(In thousands)	Three Months Ended			Nine Months Ended		
	September 30, 2012			September 30, 2012		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	\$(6,467)	\$(315,183)	\$(321,650)	\$(6,126)	\$(314,860)	\$(320,986)
Additions recognized in earnings during the period:						
Credit-related OTTI on securities not previously impaired	—	—	—	(341)	—	(341)
Additional credit-related OTTI on securities previously impaired	(657)	(2,079)	(2,736)	(657)	(19,255)	(19,912)
Subtotal of amounts recognized in earnings	(657)	(2,079)	(2,736)	(998)	(19,255)	(20,253)
Reductions for securities sold or paid off during the period	—	—	—	—	16,853	16,853
Balance of credit-related OTTI at end of period	\$(7,124)	\$(317,262)	\$(324,386)	\$(7,124)	\$(317,262)	\$(324,386)

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 and deferring 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.

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

(In thousands)	Three Months Ended	Nine Months Ended
	September 30,	September 30,

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	2013	2012	2013	2012
HTM	\$—	\$—	\$16,114	\$16,718
AFS	1,403	1,140	7,358	9,204
	\$1,403	\$1,140	\$23,472	\$25,922

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ZIONS BANCORPORATION AND SUBSIDIARIES

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

(In thousands)	Three Months Ended				Nine Months Ended			
	September 30, 2013		September 30, 2012		September 30, 2013		September 30, 2012	
	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:								
Held-to-maturity	\$32	\$—	\$22	\$657	\$63	\$403	\$120	\$998
Available-for-sale	1,551	9,070	3,026	2,081	7,989	27,324	14,955	25,045
Other noninterest-bearing investments:								
Nonmarketable equity securities	4,802	1,637	3,230	547	9,868	1,662	22,951	11,016
	6,385	10,707	6,278	3,285	17,920	29,389	38,026	37,059
Net gains (losses)		\$(4,322)		\$2,993		\$(11,469)		\$967
Statement of income information:								
Net impairment losses on investment securities		\$(9,067)		\$(2,736)		\$(23,401)		\$(20,253)
Equity securities gains, net		3,165		2,683		8,206		11,935
Fixed income securities gains, net		1,580		3,046		3,726		9,285
Net gains (losses)		\$(4,322)		\$2,993		\$(11,469)		\$967

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

During the three and nine months ended September 30, nontaxable interest income on securities was \$3.4 million and \$10.1 million in 2013 and \$4.2 million and \$13.7 million in 2012.

Securities with a carrying value of \$1.5 billion at September 30, 2013 and December 31, 2012 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.

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5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	September 30, 2013	December 31, 2012
Loans held for sale	\$ 114,810	\$ 251,651
Commercial:		
Commercial and industrial	\$ 11,904,477	\$ 11,256,945
Leasing	375,125	422,513
Owner occupied	7,378,586	7,589,082
Municipal	448,643	494,183
Total commercial	20,106,831	19,762,723
Commercial real estate:		
Construction and land development	2,240,295	1,939,413
Term	7,928,540	8,062,819
Total commercial real estate	10,168,835	10,002,232
Consumer:		
Home equity credit line	2,124,328	2,177,680
1-4 family residential	4,636,895	4,350,329
Construction and other consumer real estate	321,436	321,235
Bankcard and other revolving plans	331,966	306,428
Other	207,578	216,379
Total consumer	7,622,203	7,372,051
FDIC-supported loans	374,861	528,241
Total loans	\$ 38,272,730	\$ 37,665,247

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

Loan balances are presented net of unearned income and fees, which amounted to \$132.4 million at September 30, 2013 and \$137.5 million at December 31, 2012.

Owner occupied and commercial real estate loans include unamortized premiums of approximately \$49.9 million at September 30, 2013 and \$59.3 million at December 31, 2012.

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

Loans with a carrying value of approximately \$22.4 billion at September 30, 2013 and \$21.1 billion at December 31, 2012 have been pledged at the Federal Reserve and various Federal Home Loan Banks as collateral for current and potential borrowings.

We sold loans totaling \$421 million and \$1,315 million for the three and nine months ended September 30, 2013 and \$369 million and \$1,244 million for the three and nine months ended September 30, 2012, respectively, that were previously classified as loans held for sale. At the time of origination, we determine whether loans will be held for investment or held for sale. We may subsequently change our original intent to hold loans for investment and reclassify them as held for sale. Loans classified as loans held for sale primarily consist of conforming residential

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mortgages. Amounts added to loans held for sale during these periods were \$374 million and \$1,152 million for the three and nine months ended September 30, 2013 and \$452 million and \$1,260 million for the three and nine months ended September 30, 2012, respectively. Income from loans sold, excluding servicing, was \$5 million and \$22 million for the three and nine months ended September 30, 2013 and \$8 million and \$22 million for the three and nine months ended September 30, 2012, respectively.

Allowance for Credit Losses

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

Allowance for Loan and Lease Losses

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

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. The methodology for impaired loans is discussed subsequently. For the commercial and commercial real estate (“CRE”) segments, we use a comprehensive loan grading system to assign probability of default (“PD”) and loss given default (“LGD”) grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. PD and LGD grades are based on both financial and statistical models and loan officers’ judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to these loan grade groupings over the period of January 2008 through the most recent full quarter.

For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience by segmenting our consumer loan portfolio into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses. Roll rates incorporate housing market trends inasmuch as these trends manifest themselves in charge-offs and delinquencies. In addition, our qualitative and environmental factors discussed subsequently incorporate the most recent housing market trends.

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

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

Asset quality trends

Risk management and loan administration practices

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Risk identification practices

Effect of changes in the nature and volume of the portfolio

Existence and effect of any portfolio concentrations

National economic and business conditions

Regional and local economic and business conditions

Data availability and applicability

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

Reserve for Unfunded Lending Commitments

We also estimate a reserve for potential losses associated with off-balance sheet commitments, including standby letters of credit. We determine the RULC using the same procedures and methodologies that we use for the ALLL.

The loss factors used in the RULC are the same as the loss factors used in the ALLL, and the qualitative adjustments used in the RULC are the same as the qualitative adjustments used in the ALLL. We adjust the Company's unfunded lending commitments that are not unconditionally cancelable to an outstanding amount equivalent using credit conversion factors and we apply the loss factors to the outstanding equivalents.

Changes in ACL Assumptions

We regularly evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. During the third quarter of 2013, we changed certain assumptions, including the credit conversion factors, in our RULC estimation process, specifically the rate at which unfunded commitments are likely to convert into funded balances. This change resulted in a decrease of \$18.4 million to the provision for unfunded lending commitments. Additionally during the third quarter of 2013, we made refinements to our risk grading methodology for certain smaller balance loans to be more consistent with regulatory guidance and the manner in which those loans are managed. These refinements decreased the classified loan balances by approximately \$137 million and did not have a material effect on the overall level of the ACL or the provision for loan losses.

During the second quarter of 2013, we changed certain assumptions in our ACL estimation process including our loss migration model that we use to quantitatively estimate the ALLL and RULC for the commercial and commercial real estate segments. Prior to the second quarter of 2013, we used loss migration models based on loss experience over the most recent 60 months. During the second quarter of 2013 and subsequently, the loss migration models are based on loss experience from January 2008 through the most recent full quarter. We extended the period of loss experience to include the beginning of the year 2008 to encompass the last economic downturn period, as the improving charge-off rates experienced during recent periods may not be reflective of current incurred losses, given the environment of continued economic uncertainty. These refinements in the quantitative portion of the ACL did not have a material effect on the overall level of the ACL or the provision for loan losses.

Total allowance for credit losses at end of period:

Allowance for loan losses	\$479,275	\$244,008	\$68,509	\$5,731	\$797,523
Reserve for unfunded lending commitments	47,139	33,444	3,564	—	84,147
Total allowance for credit losses	\$526,414	\$277,452	\$72,073	\$5,731	\$881,670

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Three Months Ended September 30, 2012				
	Commercial	Commercial real estate	Consumer	FDIC-supported ¹	Total
Allowance for loan losses:					
Balance at beginning of period	\$542,170	\$307,965	\$102,391	\$20,917	\$973,443
Additions:					
Provision for loan losses	(4,324)	2,157	3,351	(3,073)	(1,889)
Adjustment for FDIC-supported loans	—	—	—	(5,908)	(5,908)
Deductions:					
Gross loan and lease charge-offs	(26,424)	(20,264)	(11,391)	(702)	(58,781)
Recoveries	12,013	3,312	3,262	1,616	20,203
Net loan and lease charge-offs	(14,411)	(16,952)	(8,129)	914	(38,578)
Balance at end of period	\$523,435	\$293,170	\$97,613	\$12,850	\$927,068
Reserve for unfunded lending commitments:					
Balance at beginning of period	\$70,553	\$31,663	\$1,370	\$—	\$103,586
Provision charged (credited) to earnings	542	1,741	(19)	—	2,264
Balance at end of period	\$71,095	\$33,404	\$1,351	\$—	\$105,850
Total allowance for credit losses at end of period:					
Allowance for loan losses	\$523,435	\$293,170	\$97,613	\$12,850	\$927,068
Reserve for unfunded lending commitments	71,095	33,404	1,351	—	105,850
Total allowance for credit losses	\$594,530	\$326,574	\$98,964	\$12,850	\$1,032,918
	Nine Months Ended September 30, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported ¹	Total
Allowance for loan losses:					
Balance at beginning of period	561,351	343,747	123,115	23,472	1,051,685
Additions:					
Provision for loan losses	20,859	(2,769)	9,989	(3,451)	24,628
Adjustment for FDIC-supported loans	—	—	—	(12,821)	(12,821)
Deductions:					
Gross loan and lease charge-offs	(91,477)	(70,098)	(45,722)	(5,183)	(212,480)
Recoveries	32,702	22,290	10,231	10,833	76,056
Net loan and lease charge-offs	(58,775)	(47,808)	(35,491)	5,650	(136,424)
Balance at end of period	523,435	293,170	97,613	12,850	927,068
Reserve for unfunded lending commitments:					
Balance at beginning of period	77,232	23,572	1,618	—	102,422
Provision charged (credited) to earnings	(6,137)	9,832	(267)	—	3,428
Balance at end of period	71,095	33,404	1,351	—	105,850
Total allowance for credit losses at end of period:					
Allowance for loan losses	523,435	293,170	97,613	12,850	927,068
Reserve for unfunded lending commitments	71,095	33,404	1,351	—	105,850

Total allowance for credit losses	594,530	326,574	98,964	12,850	1,032,918
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¹ The Purchased Loans section following contains further discussion related to FDIC-supported loans.

During the first quarter of 2013, we modified the reporting of certain ALLL balances in the previous schedules. This change in reporting resulted in the reclassification of approximately \$83.2 million at December 31, 2012, \$83.1

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million at September 30, 2012, and \$68.2 million at December 31, 2011 of ALLL balances from the commercial to the commercial real estate loan segments. There was no change to the methodology or assumptions used to estimate the ALLL, nor was the change the result of any changes in credit quality.

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

	September 30, 2013				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	\$39,950	\$15,117	\$12,189	\$—	\$67,256
Collectively evaluated for impairment	439,325	228,891	56,320	607	725,143
Purchased loans with evidence of credit deterioration	—	—	—	5,124	5,124
Total	\$479,275	\$244,008	\$68,509	\$5,731	\$797,523
Outstanding loan balances:					
Individually evaluated for impairment	\$327,999	\$322,996	\$104,308	\$1,051	\$756,354
Collectively evaluated for impairment	19,778,832	9,845,839	7,517,895	40,559	37,183,125
Purchased loans with evidence of credit deterioration	—	—	—	333,251	333,251
Total	\$20,106,831	\$10,168,835	\$7,622,203	\$374,861	\$38,272,730
	December 31, 2012				
(In thousands)	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Individually evaluated for impairment	\$30,587	\$22,295	\$13,758	\$—	\$66,640
Collectively evaluated for impairment	480,321	254,681	81,898	422	817,322
Purchased loans with evidence of credit deterioration	—	—	—	12,125	12,125
Total	\$510,908	\$276,976	\$95,656	\$12,547	\$896,087
Outstanding loan balances:					
Individually evaluated for impairment	\$353,380	\$437,647	\$112,320	\$1,149	\$904,496
Collectively evaluated for impairment	19,409,343	9,564,585	7,259,731	57,896	36,291,555
Purchased loans with evidence of credit deterioration	—	—	—	469,196	469,196
Total	\$19,762,723	\$10,002,232	\$7,372,051	\$528,241	\$37,665,247

Nonaccrual and Past Due Loans

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

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

the principal outstanding.

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credit such as charge-card plans and other revolving credit plans are

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reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

(In thousands)	September 30, 2013	December 31, 2012
Commercial:		
Commercial and industrial	\$100,188	\$90,859
Leasing	796	838
Owner occupied	157,609	206,031
Municipal	10,006	9,234
Total commercial	268,599	306,962
Commercial real estate:		
Construction and land development	65,320	107,658
Term	60,378	124,615
Total commercial real estate	125,698	232,273
Consumer:		
Home equity credit line	8,425	14,247
1-4 family residential	57,658	70,180
Construction and other consumer real estate	4,080	4,560
Bankcard and other revolving plans	1,186	1,190
Other	1,149	1,398
Total consumer loans	72,498	91,575
FDIC-supported loans	4,744	17,343
Total	\$471,539	\$648,153

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

(In thousands)	September 30, 2013					Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current ¹
	Current	30-89 days past due	90+ days past due	Total past due	Total past due			
Commercial:								
Commercial and industrial	\$11,820,258	\$28,268	\$55,951	\$84,219	\$11,904,477	\$2,280	\$44,546	
Leasing	374,200	323	602	925	375,125	—	—	
Owner occupied	7,289,080	39,538	49,968	89,506	7,378,586	3,106	97,378	
Municipal	448,643	—	—	—	448,643	—	10,006	
Total commercial	19,932,181	68,129	106,521	174,650	20,106,831	5,386	151,930	
Commercial real estate:								
Construction and land development	2,200,392	21,609	18,294	39,903	2,240,295	—	28,140	
Term	7,885,730	17,940	24,870	42,810	7,928,540	2,361	33,780	
Total commercial real estate	10,086,122	39,549	43,164	82,713	10,168,835	2,361	61,920	
Consumer:								
Home equity credit line	2,116,048	4,357	3,923	8,280	2,124,328	—	3,226	
1-4 family residential	4,598,613	13,816	24,466	38,282	4,636,895	551	28,850	

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Construction and other consumer real estate	317,305	1,574	2,557	4,131	321,436	368	1,738
Bankcard and other revolving plans	329,055	1,951	960	2,911	331,966	669	840
Other	205,798	822	958	1,780	207,578	63	70
Total consumer loans	7,566,819	22,520	32,864	55,384	7,622,203	1,651	34,724
FDIC-supported loans	339,085	11,162	24,614	35,776	374,861	22,450	2,400
Total	\$37,924,207	\$141,360	\$207,163	\$348,523	\$38,272,730	\$31,848	\$250,974

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(In thousands)	December 31, 2012				Total loans	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current ¹
	Current	30-89 days past due	90+ days past due	Total past due				
Commercial:								
Commercial and industrial	\$ 11,124,639	\$ 73,555	\$ 58,751	\$ 132,306	\$ 11,256,945	\$ 4,013	\$ 32,389	
Leasing	421,590	115	808	923	422,513	—	—	
Owner occupied	7,447,083	56,504	85,495	141,999	7,589,082	1,822	100,835	
Municipal	494,183	—	—	—	494,183	—	9,234	
Total commercial	19,487,495	130,174	145,054	275,228	19,762,723	5,835	142,458	
Commercial real estate:								
Construction and land development	1,836,284	66,139	36,990	103,129	1,939,413	853	50,044	
Term	7,984,819	24,730	53,270	78,000	8,062,819	107	54,546	
Total commercial real estate	9,821,103	90,869	90,260	181,129	10,002,232	960	104,590	
Consumer:								
Home equity credit line	2,169,722	4,036	3,922	7,958	2,177,680	—	8,846	
1-4 family residential	4,282,611	24,060	43,658	67,718	4,350,329	1,423	21,945	
Construction and other consumer real estate	314,931	4,344	1,960	6,304	321,235	395	2,500	
Bankcard and other revolving plans	302,587	2,439	1,402	3,841	306,428	1,010	721	
Other	213,930	1,411	1,038	2,449	216,379	107	275	
Total consumer loans	7,283,781	36,290	51,980	88,270	7,372,051	2,935	34,287	
FDIC-supported loans	454,333	12,407	61,501	73,908	528,241	52,033	7,393	
Total	\$ 37,046,712	\$ 269,740	\$ 348,795	\$ 618,535	\$ 37,665,247	\$ 61,763	\$ 288,728	

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

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using a loan grading system. We generally assign internal grades to loans with commitments less than \$750,000 based on the performance of those loans.

Performance-based grades follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

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

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

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

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

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

We generally assign internal grades to commercial and CRE loans with commitments equal to or greater than \$750,000 based on financial and statistical models, individual credit analysis, and loan officer judgment. For these

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larger loans, we assign multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged off. We evaluate our credit quality information such as risk grades at least quarterly, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.

For consumer loans, we generally assign internal risk grades similar to those described previously based on payment performance. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant an upgrade or downgrade. During the third quarter of 2013, we refined our risk grading methodology for certain smaller balance loans.

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

(In thousands)	September 30, 2013				Total loans	Total allowance
	Pass	Special Mention	Sub-standard	Doubtful		
Commercial:						
Commercial and industrial	\$11,176,352	\$331,846	\$391,335	\$4,944	\$11,904,477	
Leasing	369,152	2,875	3,098	—	375,125	
Owner occupied	6,760,607	131,895	484,779	1,305	7,378,586	
Municipal	438,637	—	10,006	—	448,643	
Total commercial	18,744,748	466,616	889,218	6,249	20,106,831	\$479,275
Commercial real estate:						
Construction and land development	2,094,934	15,250	127,875	2,236	2,240,295	
Term	7,414,358	213,538	300,644	—	7,928,540	
Total commercial real estate	9,509,292	228,788	428,519	2,236	10,168,835	244,008
Consumer:						
Home equity credit line	2,105,327	—	19,001	—	2,124,328	
1-4 family residential	4,563,611	—	73,284	—	4,636,895	
Construction and other consumer real estate	312,046	—	9,390	—	321,436	
Bankcard and other revolving plans	329,442	—	2,524	—	331,966	
Other	206,174	—	1,404	—	207,578	
Total consumer loans	7,516,600	—	105,603	—	7,622,203	68,509
FDIC-supported loans	253,788	20,401	100,672	—	374,861	5,731
Total	\$36,024,428	\$715,805	\$1,524,012	\$8,485	\$38,272,730	\$797,523

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(In thousands)	December 31, 2012				Total loans	Total allowance
	Pass	Special Mention	Sub- standard	Doubtful		
Commercial:						
Commercial and industrial	\$ 10,717,594	\$ 198,645	\$ 336,230	\$ 4,476	\$ 11,256,945	
Leasing	419,482	226	2,805	—	422,513	
Owner occupied	6,833,923	138,539	612,011	4,609	7,589,082	
Municipal	453,193	31,756	9,234	—	494,183	
Total commercial	18,424,192	369,166	960,280	9,085	19,762,723	\$ 510,908
Commercial real estate:						
Construction and land development	1,648,215	57,348	233,374	476	1,939,413	
Term	7,433,789	237,201	388,914	2,915	8,062,819	
Total commercial real estate	9,082,004	294,549	622,288	3,391	10,002,232	276,976
Consumer:						
Home equity credit line	2,138,693	85	38,897	5	2,177,680	
1-4 family residential	4,234,426	4,316	111,063	524	4,350,329	
Construction and other consumer real estate	313,499	218	7,518	—	321,235	
Bankcard and other revolving plans	298,665	23	7,740	—	306,428	
Other	209,293	3,211	3,875	—	216,379	
Total consumer loans	7,194,576	7,853	169,093	529	7,372,051	95,656
FDIC-supported loans	327,609	24,980	175,652	—	528,241	12,547
Total	\$ 35,028,381	\$ 696,548	\$ 1,927,313	\$ 13,005	\$ 37,665,247	\$ 896,087

Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. For our non-purchased credit impaired loans, if a nonaccrual loan has a balance greater than \$1 million or if a loan is a troubled debt restructuring (“TDR”), including TDRs that subsequently default, we evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. Purchased credit impaired (“PCI”) loans in our FDIC-supported portfolio segment are included in impaired loans and are accounted for under separate accounting guidance. See subsequent discussion under Purchased Loans.

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan’s future cash flows discounted at the loan’s effective interest rate, the observable market price of the loan, or the fair value of the loan’s underlying collateral less the cost to sell. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan’s underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the three and nine months ended September 30, 2013 and 2012 was not significant.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the three and nine months ended September 30, 2013 and 2012:

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¹ The balance of interest income recognized results primarily from accretion of interest income on impaired FDIC-supported loans.

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Modified and Restructured Loans

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

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

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

Selected information on TDRs that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following schedules:

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(In thousands)	September 30, 2013						
	Recorded investment resulting from the following modification types:						
	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other ¹	Multiple modification types ²	Total
Accruing							
Commercial:							
Commercial and industrial	\$355	\$15,794	\$—	\$6,856	\$14,326	\$34,928	\$72,259
Owner occupied	22,121	4,768	994	2,961	10,145	19,866	60,855
Total commercial	22,476	20,562	994	9,817	24,471	54,794	133,114
Commercial real estate:							
Construction and land development	2,062	11,688	—	1,120	8,836	27,962	51,668
Term	34,482	9,516	5,331	5,766	22,405	58,945	136,445
Total commercial real estate	36,544	21,204	5,331	6,886	31,241	86,907	188,113
Consumer:							
Home equity credit line	743	—	8,922	—	325	335	10,325
1-4 family residential	2,649	1,294	7,861	647	4,482	33,613	50,546
Construction and other consumer real estate	133	963	—	—	144	1,455	2,695
Other	—	—	—	—	—	—	—
Total consumer loans	3,525	2,257	16,783	647	4,951	35,403	63,566
Total accruing	62,545	44,023	23,108	17,350	60,663	177,104	384,793
Nonaccruing							
Commercial:							
Commercial and industrial	2,609	8,958	68	156	1,362	13,416	26,569
Owner occupied	3,096	1,471	1,074	3,823	11,182	12,944	33,590
Total commercial	5,705	10,429	1,142	3,979	12,544	26,360	60,159
Commercial real estate:							
Construction and land development	11,822	1,750	—	—	5,591	40,008	59,171
Term	2,480	—	—	2,051	325	9,780	14,636
Total commercial real estate	14,302	1,750	—	2,051	5,916	49,788	73,807
Consumer:							
Home equity credit line	—	—	1,575	—	222	130	1,927
1-4 family residential	4,455	1,420	1,787	—	4,440	16,353	28,455
Construction and other consumer real estate	5	926	—	—	—	1,034	1,965
Bankcard and other revolving plans	—	260	—	—	—	—	260
Total consumer loans	4,460	2,606	3,362	—	4,662	17,517	32,607
Total nonaccruing	24,467	14,785	4,504	6,030	23,122	93,665	166,573
Total	\$87,012	\$58,808	\$27,612	\$23,380	\$83,785	\$270,769	\$551,366

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(In thousands)	December 31, 2012						Total
	Recorded investment resulting from the following modification types:						
	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other ¹	Multiple modification types ²	
Accruing Commercial:							
Commercial and industrial	\$5,388	\$6,139	\$—	\$3,585	\$17,647	\$44,684	\$77,443
Owner occupied	20,963	12,104	—	4,013	9,305	13,598	59,983
Total commercial	26,351	18,243	—	7,598	26,952	58,282	137,426
Commercial real estate:							
Construction and land development	1,718	9,868	2	59	8,432	30,248	50,327
Term	30,118	1,854	8,433	3,807	32,302	82,809	159,323
Total commercial real estate	31,836	11,722	8,435	3,866	40,734		