ZIONS BANCORPORATION /UT/
Form 10-K
February 27, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
OR
ý 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) | (Internal Revenue Service Employer Identification Number) |
| One South Main, 15th Floor Salt Lake City, Utah | 84133 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (801) 844-7637
Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, without par value | The NASDAQ Stock Market LLC |
| Warrants to Purchase Common Stock (expiring May 22, 2020) | The NASDAQ Stock Market LLC |
| Warrants to Purchase Common Stock (expiring November 14, 2018) | The NASDAQ Stock Market LLC |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series F 7.9% Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series G Fixed/Floating Rate Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series H Fixed-Rate Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Convertible 6% Subordinated Notes due September 15, 2015 | New York Stock Exchange |
| 6.95% Fixed-to-Floating Rate Subordinated Notes due September 15, 2028 | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

| | |
|---|---|
| Aggregate Market Value of Common Stock Held by Non-affiliates at June 30, 2014 | $5,309,399,779 |
| Number of Common Shares Outstanding at February 18, 2015 | 203,193,271 shares |

Documents Incorporated by Reference: Portions of the Company's Proxy Statement – Incorporated into Part III

FORM 10-K TABLE OF CONTENTS

Table of Contents

PART I

FORWARD-LOOKING INFORMATION

Statements in this Annual Report on Form 10-K that are based on other than historical data are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation ("the Parent") and its subsidiaries (collectively "the Company," "Zions," "we," "our," "us"); and
- statements preceded by, followed by, or that include the words "may," "could," "should," "would," "believe," "anticipat "estimate," "expect," "intend," "plan," "projects," or similar expressions.

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

- the Company's ability to successfully execute its business plans, manage its risks, and achieve its objectives;
- changes in local, national and international political and economic conditions, including without limitation the political and economic effects of the recent economic crisis, delay of recovery from that crisis, economic and fiscal imbalances in the United States and other countries, potential or actual downgrades in ratings of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial and commodity market prices and conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation rates of business formation and growth, commercial and residential real estate development, real estate prices, and energy-related commodity prices;
- changes 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 OCC, the Board of Governors of the Federal Reserve Board System, and the FDIC, the SEC, and the CFPB;
- the impact of executive compensation rules under the Dodd-Frank Act and banking regulations which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;
- the impact of the Dodd-Frank Act and of new international standards known as Basel III, and rules and regulations thereunder, on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which we engage in such activities, the fees we may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;
- continuing consolidation in the financial services industry;
- new legal claims against the Company, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;

Table of Contents

- success in gaining regulatory approvals, when required;
- changes in consumer spending and savings habits;
- increased competitive challenges and expanding product and pricing pressures among financial institutions;
- inflation and deflation;
- technological changes and the Company's implementation of new technologies;
- the Company's ability to develop and maintain secure and reliable information technology systems;
- legislation or regulatory changes which adversely affect the Company's operations or business;
- the Company's ability to comply with applicable laws and regulations;
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies; and
- costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

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

AVAILABILITY OF INFORMATION

We also make available free of charge on our website, www.zionsbancorporation.com, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission.

GLOSSARY OF ACRONYMS

| | | | |
|---|---|---|---|
| ABS | Asset-Backed Security | CFPB | Consumer Financial Protection Bureau |
| ACL | Allowance for Credit Losses | CLTV | Combined Loan-to-Value Ratio |
| AFS | Available-for-Sale | CMC | Capital Management Committee |
| ALCO | Asset/Liability Committee | COSO | Committee of Sponsoring Organizations of the Treadway Commission |
| ALLL | Allowance for Loan and Lease Losses | CRA | Community Reinvestment Act |
| Amegy | Amegy Corporation | CRE | Commercial Real Estate |
| AOCI | Accumulated Other Comprehensive Income | CSV | Cash Surrender Value |
| ARM | Adjustable Rate Mortgage | DB | Deutsche Bank AG |
| ASC | Accounting Standards Codification | DBRS | Dominion Bond Rating Service |
| ASU | Accounting Standards Update | DDA | Demand Deposit Account |
| ATM | Automated Teller Machine | DFAST | Dodd-Frank Annual Stress Test |
| BCBS | Basel Committee on Banking Supervision | Dodd-Frank Act | Dodd-Frank Wall Street Reform and Consumer Protection Act |
| BCF | Beneficial Conversion Feature | DTA | Deferred Tax Asset |
| BHC Act | Bank Holding Company Act | EITF | Emerging Issues Task Force |
| bps | basis points | ERMC | Enterprise Risk Management Committee |
| BSA | Bank Secrecy Act | EVE | Economic Value of Equity |
| CB&T | California Bank & Trust | FAMC | Federal Agricultural Mortgage Corporation, or "Farmer Mac" |
| CCAR | Comprehensive Capital Analysis and Review | FASB | Financial Accounting Standards Board |
| CDO | Collateralized Debt Obligation | FDIC | Federal Deposit Insurance Corporation |
| CDR | Constant Default Rate | FDICIA | Federal Deposit Insurance Corporation Improvement Act |
| CET1 | Common Equity Tier 1 (Basel III) | FHLB | Federal Home Loan Bank |

Table of Contents

| | | | |
|---|---|---|---|
| FHLMC | Federal Home Loan Mortgage Corporation, or "Freddie Mac" | OTTI | Other-Than-Temporary Impairment |
| FINRA | Financial Industry Regulatory Authority | Parent | Zions Bancorporation |
| FNMA | Federal National Mortgage Association, or "Fannie Mae" | PCAOB | Public Company Accounting Oversight Board |
| FRB | Federal Reserve Board | PCI | Purchased Credit-Impaired |
| FTE | Full-time Equivalent | PD | Probability of Default |
| GAAP | Generally Accepted Accounting Principles | PEI | Private Equity Investment |
| GDP | Gross Domestic Product | PIK | Payment in Kind |
| GLB Act | Gramm-Leach-Bliley Act | REIT | Real Estate Investment Trust |
| HECL | Home Equity Credit Line | RSU | Restricted Stock Unit |
| HQLA | High Quality Liquid Assets | RULC | Reserve for Unfunded Lending Commitments |
| HTM | Held-to-Maturity | SBA | Small Business Administration |
| IFR | Interim Final Rule | SBIC | Small Business Investment Company |
| IFRS | International Financial Reporting Standards | SEC | Securities and Exchange Commission |
| LCR | Liquidity Coverage Ratio | SIFI | Systemically Important Financial Institution |
| LGD | Loss Given Default | SOC | Securitization Oversight Committee |
| LIBOR | London Interbank Offered Rate | SSU | Salary Stock Unit |
| LIHTC | Low-Income Housing Tax Credit | TARP | Troubled Asset Relief Program |
| Lockhart | Lockhart Funding LLC | TCBO | The Commerce Bank of Oregon |
| MD&A | Management's Discussion and Analysis | TCBW | The Commerce Bank of Washington |
| NASDAQ | National Association of Securities Dealers Automated Quotations | TDR | Troubled Debt Restructuring |
| NAV | Net Asset Value | TRACE | Trade Reporting and Compliance Engine |
| NBAZ | National Bank of Arizona | TRS | Total Return Swap |
| NIM | Net Interest Margin | Vectra | Vectra Bank Colorado |
| NRSRO | Nationally Recognized Statistical Rating Organization | VIE | Variable Interest Entity |
| NSB | Nevada State Bank | VR | Volcker Rule |
| OCC | Office of the Comptroller of the Currency | T1C | Tier 1 Common (Basel I) |
| OCI | Other Comprehensive Income | Zions Bank | Zions First National Bank |
| OREO | Other Real Estate Owned | ZMFU | Zions Municipal Funding |
| OTC | Over-the-Counter | ZMSC | Zions Management Services Company |

## ITEM 1. BUSINESS

### DESCRIPTION OF BUSINESS

Zions Bancorporation ("the Parent") is a financial holding company organized under the laws of the State of Utah in 1955, and registered under the BHC Act, as amended. The Parent and its subsidiaries (collectively "the Company") own and operate eight commercial banks with a total of 460 domestic branches at year-end 2014. The Company provides a full range of banking and related services through its banking and other subsidiaries, primarily in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. Full-time equivalent employees totaled 10,462 at December 31, 2014. For further information about the Company's industry segments, see "Business Segment Results" on page 46 in MD&A and Note 21 of the Notes to Consolidated Financial Statements. For information about the Company's foreign operations, see "Foreign Exposure and Operations" on page 60 in MD&A. The "Executive Summary" on page 24 in MD&A provides further information about the Company.

### PRODUCTS AND SERVICES

The Company focuses on providing community banking services by continuously strengthening its core business lines of 1) small and medium-sized business and corporate banking; 2) commercial and residential development, construction and term lending; 3) retail banking; 4) treasury cash management and related products and services; 5)

Table of Contents

residential mortgage servicing and lending; 6) trust and wealth management; 7) limited capital markets activities, including municipal finance advisory and underwriting; and 8) investment activities. It operates eight different banks in eleven Western and Southwestern states with each bank operating under a different name and each having its own board of directors, chief executive officer, and management team. The banks provide a wide variety of commercial and retail banking and mortgage lending products and services. They also provide a wide range of personal banking services to individuals, including home mortgages, bankcard, other installment loans, home equity lines of credit, checking accounts, savings accounts, certificates of deposit of various types and maturities, trust services, safe deposit facilities, direct deposit, and Internet and mobile banking. In addition, certain subsidiary banks provide services to key market segments through their Women's Financial, Private Client Services, and Executive Banking Groups. We also offer wealth management services through various subsidiaries, including Contango Capital Advisors and Zions Trust Company, and online and traditional brokerage services through Zions Direct and Amegy Investments.

In addition to these core businesses, the Company has built specialized lines of business in capital markets and public finance, and is a leader in SBA lending. Through its subsidiary banks, the Company is one of the nation's largest providers of SBA 7(a) and SBA 504 financing to small businesses. The Company owns an equity interest in Farmer Mac and is its top originator of secondary market agricultural real estate mortgage loans. The Company provides finance advisory and corporate trust services for municipalities. The Company uses its trust powers to provide trust services to individuals in its wealth management business and to provide bond transfer, stock transfer, and escrow services in its corporate trust business, both within and outside of its footprint.

## COMPETITION

The Company operates in a highly competitive environment. The Company's most direct competition for loans and deposits comes from other commercial banks, credit unions, and thrifts, including institutions that do not have a physical presence in our market footprint but solicit via the Internet and other means. In addition, the Company competes with finance companies, mutual funds, insurance companies, brokerage firms, securities dealers, investment banking companies, and a variety of other types of companies. Many of these companies have fewer regulatory constraints and some have lower cost structures or tax burdens.

The primary factors in competing for business include convenience of office locations and other delivery methods, range of products offered, the quality of service delivered, and pricing. The Company must compete effectively along all of these dimensions to remain successful.

## SUPERVISION AND REGULATION

The banking and financial services business in which we engage is highly regulated. Such regulation is intended, among other things, to improve the stability of banking and financial companies and to protect the interests of customers, including both loan customers and depositors, and taxpayers. These regulations are not, however, generally intended to protect the interests of our shareholders or creditors, and in fact may have the consequence of reducing returns to our shareholders. This regulatory framework has been materially revised and expanded since the 2008-2009 financial crisis and recession. In particular, the Dodd-Frank Act and regulations promulgated pursuant to it have given financial regulators expanded powers over nearly every aspect of the Company's business. These include, among other things, new, higher regulatory capital requirements; regulation of dividends and other forms of capital distributions to shareholders through annual stress testing and capital planning processes; heightened liquidity and liquidity stress testing requirements, which include specific definitions of the types of investment securities that qualify as "high quality liquid assets" and which effectively limit the portion of the Company's balance sheet that can be used to meet the credit needs of its customers; specific limitations on mortgage lending products and practices; specific limits on certain consumer payment fees; and subjecting compensation practices to specific regulatory oversight and restrictions. Individually and collectively, these additional regulations have imposed and will continue to impose higher costs on the Company, and have reduced and may continue to reduce returns earned by shareholders. The Dodd-Frank Act provides for further regulations, the specifics of which are still not known and the impact of such regulatory changes cannot be presently determined. The Company is committed

6

Table of Contents

to both satisfying heightened regulatory expectations and providing attractive shareholder returns. However, given the still changing regulatory environment, the results of these efforts cannot yet be known.

Described below are the material elements of some selected laws and regulations applicable to the Company. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable laws or regulations, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business and results of the Company.

The Parent is a bank holding company and a financial holding company as provided by the BHC Act, as modified by the GLB Act and the Dodd-Frank Act. These and other federal statutes provide the regulatory framework for bank holding companies and financial holding companies, which have as their umbrella regulator the FRB. The supervision of the separately regulated subsidiaries of a bank holding company is conducted by each subsidiary's primary functional regulator and the laws and regulations administered by those regulators. The GLB Act allows our subsidiary banks to engage in certain financial activities through financial subsidiaries. To qualify for and maintain status as a financial holding company, or to do business through a financial subsidiary, the Parent and its subsidiary banks must satisfy certain ongoing criteria. The Company currently engages in only limited activities for which financial holding company status is required.

The Parent's subsidiary banks and Zions Trust are subject to the provisions of the National Bank Act or other statutes governing national banks or, for those that are state-chartered banks, the banking laws of their various states, as well as the rules and regulations of the OCC (for those that are national banks), and the FDIC. They are also subject to periodic examination and supervision by the OCC or their respective state banking departments, and the FDIC. Many of our nonbank subsidiaries are also subject to regulation by the FRB and other federal and state agencies. These bank regulatory agencies may exert considerable influence over our activities through their supervisory and examination role. Our brokerage and investment advisory subsidiaries are regulated by the SEC, FINRA and/or state securities regulators.

The Dodd-Frank Act

The recent financial crisis led to numerous new laws in the United States and internationally for financial institutions. The Dodd-Frank Act, which was enacted in July 2010, is one of the most far reaching legislative actions affecting the financial services industry in decades and significantly restructures the financial regulatory regime in the United States.

The Dodd-Frank Act and regulations adopted under the Dodd-Frank Act broadly affect the financial services industry by creating new resolution authorities, requiring ongoing stress testing of our capital and liquidity, mandating higher capital and liquidity requirements, requiring divestiture of certain equity investments, increasing regulation of executive and incentive-based compensation, requiring banks to pay increased fees to regulatory agencies, and requiring numerous other provisions aimed at strengthening the sound operation of the financial services sector.

Among other things affecting capital standards, the Dodd-Frank Act provides that:

- the requirements applicable to large bank holding companies (those with consolidated assets of greater than $50 billion) be more stringent than those applicable to other financial companies;
- standards applicable to bank holding companies be no less stringent than those applied to insured depository institutions; and
- bank regulatory agencies implement countercyclical elements in their capital requirements.

Regulations promulgated under the Dodd-Frank Act will require us to maintain greater levels of capital and liquid assets than was generally the case before the crisis and will limit the forms of capital that we will be able to rely upon for regulatory purposes. For example, provisions of the Dodd-Frank Act require us to transition trust preferred securities from Tier 1 capital to Tier 2 capital over a two-year period that begins January 1, 2015. In 2015, 75% of trust preferred securities transition to Tier 2 Capital from Tier 1 and the remaining 25% in 2016. In addition, in its supervisory role with respect to our stress testing and capital planning, our ability to deliver returns to our shareholders through dividends and stock repurchases is subject to prior non-objection by the FRB. The stress

Table of Contents

testing and capital plan process also could substantially reduce our flexibility to respond to market developments and opportunities in such areas as capital raising and acquisitions.

The Dodd-Frank Act's provisions and related regulations also affect the fees we must pay to regulatory agencies and pricing of certain products and services, including the following:

- The assessment base for federal deposit insurance was changed to consolidated assets less tangible capital instead of the amount of insured deposits.
- The federal prohibition on the payment of interest on business transaction accounts was repealed.
- The FRB was authorized to issue regulations governing debit card interchange fees.

The Dodd-Frank Act also created the CFPB, which is responsible for promulgating regulations designed to protect consumers' financial interests and examining large financial institutions for compliance with, and enforcing, those regulations. The Dodd-Frank Act adds prohibitions on unfair, deceptive or abusive acts and practices to the scope of consumer protection regulations overseen and enforced by the CFPB. The CFPB also enacted new regulations, that became fully effective January 10, 2014, which require significant changes to residential mortgage origination; these changes include the definition of a "qualified mortgage" and the requirement regarding how a borrower's "ability to repay" must be determined. The Dodd-Frank Act subjected national banks to the possibility of further regulation by restricting the preemption of state laws by federal laws, which had enabled national banks and their subsidiaries to comply with federal regulatory requirements without complying with various state laws. In addition, the Dodd-Frank Act gives greater power to state attorneys general to pursue legal actions against banking organizations for violations of federal law.

The Dodd-Frank Act contains numerous provisions that limit or place significant burdens and costs on activities traditionally conducted by banking organizations, such as originating and securitizing mortgage loans and other financial assets, arranging and participating in swap and derivative transactions, proprietary trading and investing in private equity and other funds. For the affected activities, these provisions may result in increased compliance and other costs, increased legal risk, and decreased scope of product offerings and earning assets.

The Company is subject to the provisions of the Volcker Rule, issued pursuant to the Dodd-Frank Act. As of December 31, 2014, the Company had divested all securities that were not in compliance with the Volcker Rule, and had sold all but $41 million (amortized cost) of non-compliant investments. Such investments include $25 million of potential capital calls, which the Company expects to fund, as allowed by the Volcker Rule, if and as the capital calls are made until the investments are sold. These investments are in private equity funds, and are referred to in this document as private equity investments ("PEIs"). The Company continues to pursue the disposition of all non-compliant PEIs. The FRB has granted a blanket extension of the Volcker Rule compliance date to July 21, 2016.

The Company and other companies subject to the Dodd-Frank Act are subject to a number of requirements regarding the time, manner and form of compensation given to its key executives and other personnel receiving incentive compensation, which are being imposed through the supervisory process as well as published guidance and proposed rules. These requirements generally implement the compensation restrictions imposed by the Dodd-Frank Act and include documentation and governance, deferral, risk balancing, and claw-back requirements.

As discussed further throughout this section, many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years making it difficult to anticipate the overall financial impact on the Company or the industry.

Capital Standards – Basel Framework

The capital regulations issued by the FRB and other U. S. regulators pursuant to the 1988 capital accord ("Basel I") of the BCBS were still in effect as of December 31, 2014. However, in 2013, the FRB, FDIC, and OCC issued final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The

Table of Contents

Basel III Capital Rules substantially revise and restate Basel 1 rules regarding the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company. The Basel III Capital Rules became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components). The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) apply most deductions/adjustments to regulatory capital measures to CET1 and not to the other components of capital, thus potentially requiring higher levels of CET1 in order to meet minimum ratios, and (iv) expand the scope of the deductions/adjustments from capital as compared to existing regulations.

Under the Basel III Capital Rules, the minimum capital ratios as of January 1, 2015 will be as follows:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (i.e., CET1 plus Additional Tier 1) to risk-weighted assets;
- 8.0% Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

When fully phased in on January 1, 2019, the Basel III Capital Rules will also require the Company and its subsidiary banks to maintain a 2.5% "capital conservation buffer," designed to absorb losses during periods of economic stress, composed entirely of CET1, on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer will begin on January 1, 2016 at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The Basel III Capital Rules also prescribe a standardized approach for calculating risk-weighted assets that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. Government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. In addition, the Basel III Capital Rules provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets dependent upon future taxable income, and significant investments in common equity issued by nonconsolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. The Company's preliminary analysis indicates that application of this part of the rule should not result in any deductions from CET1. Also, primarily as a result of the large amount of CDO sales completed in 2014, the Company no longer expects the application of the Basel III corresponding deduction rules to have a material effect on its Basel III regulatory capital ratios, either as phased in or on a fully phased in basis.

Table of Contents

Under current capital standards, the effects of AOCI items included in capital are excluded for purposes of determining regulatory capital and capital ratios. Under the Basel III Capital Rules, “non-advanced approaches banking organizations,” including the Company and its subsidiary banks, may make a one-time permanent election as of January 1, 2015 to continue to exclude these items. The Company has made the decision to “opt out,” which will be reported to the FRB on the Company’s first quarter 2015 FRY-9 report.

The Basel III Capital Rules require that trust preferred securities be phased out from Tier 1 capital by the end of 2015. However, for a banking organization such as the Company, that has greater than $15 billion in total consolidated assets, but is not an “advanced approaches banking organization,” the Basel III Capital Rules permit permanent inclusion of trust preferred securities issued prior to May 19, 2010 in Tier 2 capital regardless of whether they would otherwise meet the qualifications for Tier 2 capital. As of December 31, 2014, the Company had outstanding $163 million of trust preferred securities that qualified for this permanent inclusion in Tier 2 capital.

Basel III also requires additional disclosures to be made that are commonly referred to as “Pillar 3” disclosures. These disclosures require the Company to make prescribed regulatory disclosures on a quarterly basis regarding its capital structure adequacy and risk-weighted assets. The disclosure requirements will be applicable beginning with the Company’s financial results for the first quarter of 2015. The Pillar 3 disclosures will be made publicly available on the Company’s website.

The Company believes that, as of December 31, 2014, the Company and its subsidiary banks would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis if such requirements were currently effective.

Stress Testing, Prudential Standards, and Early Remediation

As a bank holding company with assets greater than $50 billion, the Company is required by the Dodd-Frank Act to participate in annual stress tests known as the Dodd-Frank Annual Stress Test (“DFAST”) and Federal Reserve’s Comprehensive Capital Analysis and Review (“CCAR”). The Company timely submitted its capital plan and stress test results to the FRB on January 5, 2015. In its capital plan, the Company was required to forecast under a variety of economic scenarios for nine quarters ending the fourth quarter of 2016, its estimated regulatory capital ratios, including its Tier 1 common ratio, under Basel I rules, its estimated regulatory capital ratios, including its Common Equity Tier 1 ratio, under Basel III rules, and its GAAP tangible common equity ratio. Under the implementing regulations for CCAR, a bank holding company may generally only raise and redeem capital, pay dividends and repurchase stock and take similar capital-related actions only under a capital plan as to which the FRB has not objected.

On February 17, 2014, the Federal Reserve published final rules to implement Section 165, Enhanced Supervision and Prudential Standards for Nonbank Financial Companies Supervised by the Board of Governors and Certain Bank Holding Companies, of the Dodd-Frank Act. The Company believes that it is in compliance with these rules.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act (“FDICIA”), requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios. Pursuant to FDICIA, the FDIC promulgated regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Under the prompt corrective action provisions of FDICIA, an insured depository institution generally will be classified as well-capitalized if it has a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a Tier 1 leverage ratio of at least 5%, and an insured depository institution generally will be classified as undercapitalized if its total risk-based capital is less than 8% or its Tier 1 risk-based capital or leverage ratio is less than 4%. An institution that, based upon its capital levels, is classified as “well-capitalized,” “adequately capitalized,” or “undercapitalized,” may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. Under the

Table of Contents

fully phased-in Basel III Capital Rules, (i) a new CET1 ratio requirement will be introduced at every level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) the minimum Tier 1 capital ratio requirement for each category will be increased, with the minimum Tier 1 capital ratio for well-capitalized status being 8%; and (iii) the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be well-capitalized will be eliminated. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if a bank is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the federal bank regulator, and the holding company must guarantee the performance of that plan.

Other Regulations

The Company is subject to a wide range of other requirements and restrictions contained in both the laws of the United States and the states in which its banks and other subsidiaries operate. These regulations include but are not limited to the following:

- Requirements that the Parent serve as a source of strength for its subsidiary banks. The FRB has a policy that a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each subsidiary bank. The Dodd-Frank Act codifies this policy as a statutory requirement.
- Limitations on dividends payable by subsidiaries. A significant portion of the Parent's cash, which is used to pay dividends on our common and preferred stock and to pay principal and interest on our debt obligations, is derived from dividends paid to the Parent by its subsidiary banks. These dividends are subject to various legal and regulatory restrictions. See Note 18 of the Notes to Consolidated Financial Statements.
- Limitations on dividends payable to shareholders. The Parent's ability to pay dividends on both its common and preferred stock may be subject to regulatory restrictions, including the requirement that they be included in a stress test and capital plan to which the FRB has not objected. See discussion under "Liquidity Management Actions" on page 81.
- Cross-guarantee requirements. All of the Parent's subsidiary banks are insured by the FDIC. Each commonly controlled FDIC-insured bank can be held liable for any losses incurred, or reasonably expected to be incurred, by the FDIC due to another commonly controlled FDIC-insured bank being placed into receivership, and for any assistance provided by the FDIC to another commonly controlled FDIC-insured bank that is subject to certain conditions indicating that receivership is likely to occur in the absence of regulatory assistance.
- Safety and soundness requirements. Federal and state laws require that our banks be operated in a safe and sound manner. We are subject to additional safety and soundness standards prescribed in the Federal Deposit Insurance Corporate Improvement Act of 1991, including standards related to internal controls, information systems, internal audit, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, as well as other operational and management standards deemed appropriate by the federal banking agencies. The safety and soundness requirements give bank regulatory agencies significant latitude in their supervisory authority over us.
- Requirements for approval of acquisitions and activities and restrictions on other activities. Prior approval of the FRB is required under the BHC Act for a financial holding company to acquire or hold more than a 5% voting interest in any bank, to acquire substantially all the assets of a bank or to merge with another financial or bank holding company. The BHC Act also requires approval for certain nonbanking acquisitions, restricts the activities of bank holding companies that are not financial holding companies to banking, managing or controlling banks and other activities that the FRB has determined to be so closely related to banking as to be a proper incident thereto, and restricts the nonbanking activities of a financial holding company to those that are permitted for financial holding companies or that have been determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. Laws and regulations governing national and state-chartered banks contain similar provisions concerning acquisitions and activities.
- Limitations on the amount of loans to a borrower and its affiliates.

Table of Contents

- Limitations on transactions with affiliates. The Dodd-Frank Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization.
- Restrictions on the nature and amount of any investments and ability to underwrite certain securities.
- Requirements for opening of branches and the acquisition of other financial entities.
- Fair lending and truth in lending requirements to provide equal access to credit and to protect consumers in credit transactions.
- Broker-dealer and investment advisory regulations. Certain of our subsidiaries are broker-dealers that engage in securities underwriting and other broker-dealer activities. These companies are registered with the SEC and are members of FINRA. Certain other subsidiaries are registered investment advisers under the Investment Advisers Act of 1940, as amended, and as such are supervised by the SEC. They are also subject to various U.S. federal and state laws and regulations. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws.
- Provisions of the GLB Act and other federal and state laws dealing with privacy for nonpublic personal information of individual customers.
- CRA requirements. The CRA requires banks to help serve the credit needs in their communities, including providing credit to low and moderate income individuals. If the Company or its subsidiaries fail to adequately serve their communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions.
- Anti-money laundering regulations. The BSA, Title III of the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA Patriot Act”), and other federal laws require financial institutions to assist U.S. Government agencies in detecting and preventing money laundering and other illegal acts by maintaining policies, procedures and controls designed to detect and report money laundering, terrorist financing, and other suspicious activity.

The Parent is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC. As a company listed on the NASDAQ Global Select Market, the Parent is subject to NASDAQ listing standards for quoted companies.

The Company is subject to the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, and other federal and state laws and regulations which address, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. NASDAQ has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

The Board of Directors of the Parent has implemented a comprehensive system of corporate governance practices. This system includes policies and guidelines such as Corporate Governance Guidelines, a Code of Business Conduct and Ethics for Employees, a Directors Code of Conduct, a Related Party Transaction Policy, Stock Ownership and Retention Guidelines, a Compensation Clawback Policy, an insider trading policy including provisions prohibiting hedging and placing some restrictions on the pledging of company stock by insiders, and charters for the Audit, Risk Oversight, Compensation, and Nominating and Corporate Governance Committees. More information on the Company’s corporate governance practices is available on the Company’s website at www.zionsbancorporation.com. (The Company’s website is not part of this Annual Report on Form 10-K).

The Company has adopted policies, procedures and controls to address compliance with the requirements of the banking, securities and other laws and regulations described above or otherwise applicable to the Company. The Company intends to make appropriate revisions to reflect any changes required.

Regulators, Congress, state legislatures, and international consultative bodies continue to enact rules, laws, and policies to regulate the financial services industry and public companies and to protect consumers and investors. The nature of these laws and regulations and the effect of such policies on future business and earnings of the Company cannot be predicted.

Table of Contents

GOVERNMENT MONETARY POLICIES
The earnings and business of the Company are affected not only by general economic conditions, but also by policies adopted by various governmental authorities. The Company is particularly affected by the monetary policies of the FRB, which affect both short-term and long-term interest rates and the national supply of bank credit.
In view of the changing conditions in the economy and the effect of the FRB's monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Company. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

ITEM 1A. RISK FACTORS
The Company's Board of Directors has established a Risk Oversight Committee of the Board, approved an Enterprise Risk Management policy, and appointed an Enterprise Risk Management Committee consisting of senior management to oversee and implement the policy. In addition to credit and interest rate risk, these committees also monitor the following risk areas: strategic risk, market risk, liquidity risk, compliance risk, compensation-related risk, operational risk, information technology risk, and reputation risk.

The following list describes several risk factors which are significant to the Company, including but not limited to:
Credit quality has adversely affected us and may adversely affect us in the future.
Credit risk is one of our most significant risks. If the strength of the U.S. economy in general and the strength of the local economies in which we and our subsidiary banks conduct operations declined, this could result in, among other things, deterioration in credit quality and/or reduced demand for credit, including a resultant adverse effect on the income from our loan portfolio, an increase in charge-offs and an increase in the allowance for loan and lease losses.
We have concentrations of risk in our loan portfolio, including loans secured by real estate and energy-related lending, which may have unique risk characteristics that may adversely affect our results.
Concentration or counterparty risk could adversely affect the Company. Concentration risk across our loan and investment portfolios could pose significant additional credit risk to the Company due to exposures which perform in a similar fashion. Counterparty risk could also pose additional credit risk.
Most of our subsidiary banks engage in both commercial term and land acquisition, development and construction lending, primarily in our Western states footprint, and the Company as a whole has relatively larger concentrations of such lending than many peer institutions. In addition, we have a concentration in energy-related lending, primarily in our Amegy Bank subsidiary. Both commercial real estate and energy lending are subject to specific risks, including volatility and potential significant and prolonged declines in collateral values and activity levels. In addition, our real estate lending is concentrated in the Western states, and values there may behave differently than in other parts of the United States. We may have other unidentified concentrated or correlated risks in our loan portfolio.
Failure to effectively manage our interest rate risk and prolonged periods of low interest rates could adversely affect us.
Net interest income is the largest component of the Company's revenue. The management of interest rate risk for the Company and its subsidiary banks is centralized and overseen by an Asset Liability Management Committee appointed by the Company's Board of Directors. Failure to effectively manage our interest rate risk could adversely affect us. Factors beyond the Company's control can significantly influence the interest rate environment and increase the Company's risk. These factors include competitive pricing pressures for our loans and deposits, adverse shifts in the mix of deposits and other funding sources, and volatile market interest resulting from general economic conditions and the policies of governmental and regulatory agencies, in particular the FRB.

Table of Contents

The Company remains in an "asset sensitive" interest rate risk position, which means that net interest income would be expected to increase if interest rates increase, and to decline if interest rates decrease. Most recently, the FRB has indicated that it expects to be "patient" with respect to the timing and amount of any rate increases.

Our estimates of our interest rate risk position for noninterest-bearing demand deposits are dependent on assumptions for which there is little historical experience, and the actual behavior of those deposits in a changing interest rate environment may differ materially from our estimates, which could materially affect our results of operations.

We have experienced a low interest rate environment for the past several years. Our views with respect to, among other things, the degree to which we are "asset-sensitive," including our interest rate risk position for noninterest-bearing demand deposits, are dependent on modeled projections that rely on assumptions regarding changes in balances of such deposits in a changing interest rate environment. Because there is no modern precedent for the prolonged, extremely low interest rate environment that has prevailed for the last several years, there is little historical experience upon which to base such assumptions. If interest rates begin to increase, our assumptions regarding changes in balances of noninterest-bearing demand deposits and regarding the speed and degree to which other deposits are repriced may prove to be incorrect, and business decisions made in reliance on our modeled projections and underlying assumptions could prove to be unsuccessful. Because noninterest-bearing demand deposits are a significant portion of our deposit base, errors in our modeled projections and the underlying assumptions could materially affect our results of operations.

We have been and could continue to be negatively affected by adverse economic conditions.

The United States and many other countries recently faced a severe economic crisis, including a major recession from which the recovery has been slow. These adverse economic conditions have negatively affected the Company's assets, including its loans and securities portfolios, capital levels, results of operations, and financial condition. In response to the economic crisis, the United States and other governments established a variety of programs and policies designed to mitigate the effects of the crisis. While these programs and policies may have had a stabilizing effect in the United States following the severe financial crisis that occurred in the second half of 2008, troubling economic conditions continue to exist in the United States and globally. Most of these programs have expired, however, the FRB and central banks in other countries continue to pursue monetary policies that have resulted in an unusual period of very low interest rates. However, the full impact of these policies on, among other things, general economic activity and asset values that serve as collateral for loans extended by the Company, for example, real estate values, how long these policies may persist, and the impacts of withdrawing those policies, is unclear and may not be known for some time. It is possible that economic conditions may again become more severe or that weak economic conditions may continue for a substantial period of time. Economic and fiscal conditions in the United States and other countries may directly or indirectly adversely impact economic and market conditions faced by the Company and its customers. Any increase in the severity or duration of adverse economic conditions, including a recession or continued weak economic recovery, would adversely affect the Company.

Economic and other circumstances may require us to raise capital at times or in amounts that are unfavorable to the Company.

The Company and its subsidiary banks must maintain certain risk-based and leverage capital ratios as required by their banking regulators, which can change depending upon general economic conditions, hypothetical future adverse economic scenarios, and the particular conditions, risk profiles and growth plans of those entities. Compliance with capital requirements may limit the Company's ability to expand and has required, and may require, the Company to raise additional capital, or additional capital investment from the Parent or its subsidiaries. These uncertainties and risks, including those created by legislative and regulatory uncertainties, may increase the Company's cost of capital and other financing costs.

Our business is highly correlated to local economic conditions in a specific geographic region of the United States.

As a regional bank holding company, the Company provides a full range of banking and related services through its banking and other subsidiaries in Arizona, California, Colorado, Idaho, Nevada, New Mexico,

Table of Contents

Oregon, Texas, Utah, Washington, and Wyoming. Approximately 82% of the Company's total net interest income for the year ended December 31, 2014 and 77% of total assets as of December 31, 2014 relate to the subsidiary banks in Utah, Texas and California. As a result of this geographic concentration, our financial results depend largely upon economic conditions in these market areas. Accordingly, adverse economic conditions affecting these three states in particular could significantly affect our consolidated operations and financial results. For example, our credit risk could be elevated to the extent that our lending practices in these three states focus on borrowers or groups of borrowers with similar economic characteristics, which are similarly affected by the same adverse economic events. As of December 31, 2014, loan balances at our subsidiary banks in Utah, Texas and California comprised 82% of the Company's commercial lending portfolio, 75% of the commercial real estate lending portfolio, and 69% of the consumer lending portfolio. Loans originated by these banks are primarily to borrowers in their respective states, with the exception of the National Real Estate group owner-occupied loan portfolio held by our Utah subsidiary bank.

Catastrophic events including, but not limited to, hurricanes, tornadoes, earthquakes, fires, floods, and prolonged drought, may adversely affect the general economy, financial and capital markets, specific industries, and the Company.

The Company has significant operations and a significant customer base in Utah, Texas, California and other regions where natural and other disasters may occur. These regions are known for being vulnerable to natural disasters and other risks, such as hurricanes, tornadoes, earthquakes, fires, floods, and prolonged drought. These types of natural catastrophic events at times have disrupted the local economy, the Company's business and customers, and have posed physical risks to the Company's property. In addition, catastrophic events occurring in other regions of the world may have an impact on the Company's customers and in turn on the Company. A significant catastrophic event could materially adversely affect the Company's operating results.

Problems encountered by other financial institutions could adversely affect financial markets generally and have indirect adverse effects on us.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis, and therefore could adversely affect us.

We and/or the holders of our securities could be adversely affected by unfavorable rating actions from rating agencies.

Our ability to access the capital markets is important to our overall funding profile. This access is affected by the ratings assigned by rating agencies to us, certain of our affiliates, and particular classes of securities that we and our affiliates issue. The rates that we pay on our securities also are also influenced by, among other things, the credit ratings that we, our affiliates, and/or our securities receive from recognized rating agencies. Ratings downgrades to us, our affiliates, or our securities could increase our costs or otherwise have a negative effect on our results of operations or financial condition or the market prices of our securities.

The Dodd-Frank Act imposes significant limitations on our business activities and subjects us to increased regulation and additional costs.

The Dodd-Frank Act has material implications for the Company and the entire financial services industry. The Dodd-Frank Act places significant additional regulatory oversight and requirements on financial institutions, particularly those with more than $50 billion of assets, including the Company. In addition, among other things, the Dodd-Frank Act:

- affects the levels of capital and liquidity with which the Company must operate and how it plans capital and liquidity levels (including a phased-in elimination of the Company's existing trust preferred securities as Tier 1 capital);

Table of Contents

- subjects the Company to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impacts the Company’s ability to invest in certain types of entities or engage in certain activities;
- impacts a number of the Company’s business strategies;
- requires us to incur the cost of developing substantial heightened risk management policies and infrastructure;
- regulates the pricing of certain of our products and services and restricts the revenue that the Company generates from certain businesses;
- subjects the Company to new capital planning actions, including stress testing or similar actions and timing expectations for capital-raising;
- subjects the Company to supervision by the CFPB, with very broad rule-making and enforcement authorities;
- grants authority to state agencies to enforce state and federal laws against national banks;
- subjects the Company to new and different litigation and regulatory enforcement risks; and
- limits the manner in which compensation is paid to executive officers and employees generally.

The Company and the entire financial services industry have incurred and will continue to incur substantial personnel, systems, consulting, and other costs in order to comply with new regulations promulgated under the Dodd-Frank Act, particularly with respect to stress testing and risk management. Because the responsible agencies are still in the process of proposing and finalizing many of the regulations required under the Dodd-Frank Act, the full impact of this legislation on the Company and the financial services industries, business strategies, and financial performance cannot be known at this time, and may not be known for some time. Individually and collectively, regulations adopted under the Dodd-Frank Act may materially adversely affect the Company’s and the financial services industry’s business, financial condition (including the Company’s ability to compete effectively with less regulated financial services providers), and results of operations.

As a regulated entity, we are subject to capital and liquidity requirements that may limit our operations and potential growth.

We are a bank holding company and a financial holding company. As such, we and our subsidiary banks are subject to the comprehensive, consolidated supervision and regulation of the FRB, the OCC (in the case of our national subsidiary banks) and the FDIC, including risk-based and leverage capital ratio requirements, and Basel III liquidity requirements. Capital needs may rise above normal levels when we experience deteriorating earnings and credit quality, and our banking regulators may increase our capital requirements based on general economic conditions and our particular condition, risk profile and growth plans. In addition, we may be required to increase our capital levels even in the absence of actual adverse economic conditions or forecasts as a result of stress testing and capital planning based on hypothetical future adverse economic scenarios. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect our ability to expand or maintain present business levels. For a summary of recently announced capital rules, see “Capital Standards – Basel Framework” in “Supervision and Regulation” on page 8 of MD&A in this Form 10-K.

Stress testing and capital management under the Dodd-Frank Act may limit our ability to increase dividends, repurchase shares of our stock, and access the capital markets.

Under the CCAR, we are required to submit to the Federal Reserve each year our capital plan for the applicable planning horizon, along with the results of required stress tests. Each annual capital plan will, among other things, specify our planned actions with respect to dividends, redemptions, repurchases, capital raising, and similar matters and will be subject to the objection or non-objection by the Federal Reserve. Moreover, the CCAR process requires us to analyze the pro forma impact on our financial condition of various hypothetical future adverse economic scenarios selected by us or the Federal Reserve. We must maintain or raise capital sufficient to meet our risk management and regulatory expectations under such hypothetical scenarios. Similarly, Dodd-Frank Act Stress Tests (“DFAST”) are stress tests run by the Federal Reserve using its

Table of Contents

proprietary models to analyze the Company's stressed capital position. In order to receive a "non-objection" from the Federal Reserve to its capital plan, it must pass both the Federal Reserve's quantitatively modeled stress capital and a qualitative examination of its CCAR submission and capital plan. As required by the Dodd-Frank Act we also submit stress tests to the OCC (for Amegy and Zions) and FDIC (for CB&T) for our subsidiary banks with assets in excess of $10 billion. The severity of the hypothetical scenarios devised by the FRB and other bank regulators and employed in these stress tests is undefined by law or regulation, and is thus subject solely to the discretion of the regulators. The stress testing and capital planning processes may, among other things, require us to increase our capital levels, limit our dividends or other capital distributions to shareholders, modify our business strategies, or decrease our exposure to various asset classes.

Under stress testing and capital management standards implemented by bank regulatory agencies under the Dodd-Frank Act, we may declare dividends, repurchase common stock, redeem preferred stock and debt, access capital markets for certain types of capital, make acquisitions, and enter into similar transactions only if included in a capital plan to which the FRB has not objected. Any similar transactions not contemplated in our annual capital plan, other than those with a de minimus impact on actual or projected capital, may require a new stress test and capital plan, which is subject to FRB non-objection. These requirements may significantly limit our ability to respond to and take advantage of market developments.

We increasingly use models in the management of the Company, and in particular in the required stress testing and capital plan. There is risk that these models are incorrect or inaccurate in various ways, which can cause us to make non-optimal decisions, and this risk causes the Company to hold additional capital as a buffer against that risk.

We attempt to carefully develop, document, back test, and validate the models used in the management of the Company, including, for example, models used in the management of interest rate and liquidity risk, and those used in projecting stress losses in various segments of our credit and securities portfolios, and projecting net revenue under stress. Models are inherently imperfect for a number of reasons, however, and cannot perfectly predict outcomes. Management decisions based in part on such models, therefore, can be suboptimal. In addition, in determining the Company's capital needs under stress testing, we attempt to specifically quantify the amounts by which model results could be incorrect, and we hold material additional amounts of capital as a buffer against this "model risk."

New liquidity regulations, including regulations establishing a minimum Liquidity Coverage Ratio ("LCR") and requiring monthly liquidity stress testing applicable to the Company may impact profitability.

The Company is subject to new liquidity regulations, including a requirement that it conduct monthly liquidity stress tests starting in January 2015, and that subject it to a new requirement that it maintain a modified LCR of at least 100% effective January 1, 2016. Current liquidity stress tests indicate that the Company is in compliance with the modified LCR requirement. Such stress testing is subject to ongoing model and assumptions changes which could affect results.

In order to meet the requirements of these new regulations, the Company expects to hold a higher portion of its assets in High Quality Liquid Assets ("HQLA") and a lower portion of its assets in loans than was generally the case prior to such regulation. HQLA generally have lower yields than loans of the type made by the Company.

The regulation of incentive compensation under the Dodd-Frank Act may adversely affect our ability to retain our highest performing employees.

The bank regulatory agencies have published guidance and proposed regulations which limit the manner and amount of compensation that banking organizations provide to employees. These regulations and guidance may adversely affect our ability to attract and retain key personnel. If we were to suffer such adverse effects with respect to our employees, our business, financial condition and results of operations could be adversely affected, perhaps materially.

Table of Contents

Increases in FDIC insurance premiums may adversely affect our earnings.

Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC insurance assessments. During 2008 and 2009, higher levels of bank failures dramatically increased resolution costs of the FDIC and depleted the deposit insurance fund. In addition, the FDIC instituted two temporary programs to further insure customer deposits at FDIC insured banks. These programs, which have since expired, placed additional stress on the deposit insurance fund. In order to maintain a strong funding position and restore reserve ratios of the deposit insurance fund, the FDIC has increased assessment rates of insured institutions. Further, under the Dodd-Frank Act, the assessment base was expanded to include non-deposit liabilities. We generally have only limited ability to control the amount of premiums that we are required to pay the FDIC for insurance. Changes in our required insurance premium payments may adversely impact our earnings.

Other legislative and regulatory actions taken now or in the future may have a significant adverse effect on our operations.

In addition to the Dodd-Frank Act described previously, bank regulatory agencies and international regulatory consultative bodies have proposed or are considering new regulations and requirements, some of which may be imposed without formal promulgation.

There can be no assurance that any or all of these regulatory changes or actions will ultimately be adopted. However, if adopted, some of these proposals could adversely affect the Company by, among other things: impacting after-tax returns earned by financial services firms in general; limiting the Company's ability to grow; increasing taxes or fees on some of the Company's funding or activities; limiting the range of products and services that the Company could offer; and requiring the Company to raise capital at inopportune times.

The ultimate impact of these proposals cannot be predicted as it is unclear which, if any, may be adopted.

We could be adversely affected by accounting, financial reporting, and regulatory and compliance risk.

The Company is exposed to accounting, financial reporting, and regulatory/compliance risk. The Company provides to its customers, invests in, and uses for its own capital, funding, and risk management needs a number of complex financial products and services. Estimates, judgments, and interpretations of complex and changing accounting and regulatory policies are required in order to provide and account for these products and services. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and conditions. The level of regulatory/compliance oversight has been heightened in recent periods as a result of rapid changes in regulations that affect financial institutions. The administration of some of these regulations and related changes has required the Company to comply before their formal adoption. Identification, interpretation and implementation of complex and changing accounting standards as well as compliance with regulatory requirements therefore pose an ongoing risk.

We could be adversely affected by legal and governmental proceedings.

We are subject to risks associated with legal claims, fines, litigation, and regulatory and other government proceedings. The Company's exposure to these proceedings has increased and may further increase as a result of stresses on customers, counterparties and others arising from the past or current economic environments, new regulations promulgated under recently adopted statutes, the creation of new examination and enforcement bodies, and increasingly aggressive enforcement and legal actions against banking organizations.

The quality and liquidity of our asset-backed investment securities portfolio has adversely affected us and may continue to adversely affect us.

The Company's asset-backed investment securities portfolio includes CDOs collateralized primarily by trust preferred securities issued by bank holding companies. Many factors, some of which are beyond the Company's control, significantly influence the fair value and impairment status of these securities. These factors include, but are not limited to, defaults, deferrals and restructurings by debt issuers, the views of banking regulators, changes in our accounting treatment with respect to these securities, rating agency downgrades of securities, limited market pricing of securities, or market pricing that varies from the Company's current model valuations, and changes in prepayment rates and future interest rates. The occurrence of one or more of these factors could result in additional OTTI charges with respect to our CDO portfolio, which could be material.

Table of Contents

The Company may not be able to utilize the significant deferred tax asset recorded on its balance sheet.
The Company's balance sheet includes a significant deferred tax asset. The largest components of this asset result from additions to our allowance for loan and lease losses for purposes of generally accepted accounting principles in excess of loan losses actually taken for tax purposes and other-than-temporary impairment losses on our securities portfolio that have not yet been realized for tax purposes by selling the securities. Our ability to continue to record this deferred tax asset is dependent on the Company's ability to realize its value through net operating loss carrybacks or future projected earnings. Loss of part or all of this asset would adversely impact tangible capital. In addition, inclusion of this asset in determining regulatory capital is subject to certain limitations. Currently no deferred tax assets are disallowed for regulatory purposes either on a consolidated basis or at any of the Company's subsidiary banks.
We could be adversely affected by failure in our internal controls.
A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of the Company. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with complex accounting standards and regulations.
Our information systems may experience an interruption or security breach.
We rely heavily on communications and information systems to conduct our business. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, misappropriation of funds, and theft of proprietary Company or customer data. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.
We are making a significant investment to replace our core loan and deposit systems and to upgrade our accounting systems. The actual duration, cost, expected savings, and other factors to implement these initiatives may vary significantly from our estimates, which could materially affect the Company, including its results of operations.
During 2013, our Board of Directors approved a significant investment by us to replace our loan and deposit systems and to upgrade our accounting systems. The new integrated system for most of our loans and deposits is expected to employ technology that is a significant improvement over our current systems. These initiatives will be completed in phases to allow for appropriate testing and implementation so as to minimize time delays and cost overruns. However, these initiatives are in the early stages and by their very nature, projections of duration, cost, expected savings, and related items are subject to change and significant variability.
We may encounter significant adverse developments in the completion and implementation of these initiatives. These may include significant time delays, cost overruns, and other adverse developments that could result in disruptions to our systems and adversely impact our customers.
We have plans, policies and procedures designed to prevent or limit the negative effect of these adverse developments. However, there can be no assurance that any such adverse developments will not occur or, if they do occur, that they will be adequately remediated. The occurrence of any adverse development could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could materially affect the Company, including its results of operations in any given reporting period.

Table of Contents

Our results of operations depend upon the performance of our subsidiaries.
We are a holding company that conducts substantially all of our operations through our banking and other subsidiaries. The Parent receives substantially all of its revenues from dividends from its subsidiaries. These dividends are a principal source of funds to pay dividends on our common and preferred stock and interest and principal on our debt. We and certain of our subsidiaries experienced periods of unprofitability or reduced profitability during the recent severe recession. The ability of the Company and its subsidiary banks to pay dividends is restricted by regulatory requirements, including profitability and the need to maintain required levels of capital. Lack of profitability or reduced profitability exposes us to the risk that regulators could restrict the ability of our subsidiary banks to pay dividends. It also increases the risk that the Company may have to establish a "valuation allowance" against its net deferred tax asset or have that asset disallowed for regulatory capital purposes.
The ability of our subsidiary banks to pay dividends or make other payments to us is also limited by their obligations to maintain sufficient capital and by other general regulatory restrictions on their dividends. If they do not satisfy these regulatory requirements, we may be unable to pay interest on our indebtedness. The OCC, the primary regulator for certain of our subsidiary banks, has issued policy statements generally requiring insured banks only to pay dividends out of current earnings. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, which could include the payment of dividends, such authority may take actions requiring that such bank refrain from the practice. Payment of dividends could also be subject to regulatory limitations if a subsidiary bank were to become "under-capitalized" for purposes of the applicable federal regulatory "prompt corrective action" regulations.

## ITEM 1B. UNRESOLVED STAFF COMMENTS
There are no unresolved written comments that were received from the SEC's staff 180 days or more before the end of the Company's fiscal year relating to its periodic or current reports filed under the Securities Exchange Act of 1934.

## ITEM 2. PROPERTIES
At December 31, 2014, the Company operated 460 domestic branches, of which 286 are owned and 174 are leased. The Company also leases its headquarters offices in Salt Lake City, Utah. Other operations facilities are either owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance and taxes. For additional information regarding leases and rental payments, see Note 17 of the Notes to Consolidated Financial Statements.

## ITEM 3. LEGAL PROCEEDINGS
The information contained in Note 17 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

## ITEM 4. MINE SAFETY DISCLOSURES
None.

# PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES
### MARKET INFORMATION
The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "ZION." The last reported sale price of the common stock on NASDAQ on February 18, 2015 was $26.04 per share.

Table of Contents

The following schedule sets forth, for the periods indicated, the high and low sale prices of the Company’s common stock, as quoted on NASDAQ:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| 1st Quarter | $33.33 | $27.82 | $25.86 | $21.56 |
| 2nd Quarter | 31.87 | 27.65 | 29.41 | 23.10 |
| 3rd Quarter | 30.89 | 27.44 | 31.40 | 26.79 |
| 4th Quarter | 29.93 | 25.02 | 30.13 | 26.89 |

During 2014, the Company issued $525 million of common stock, which consisted of approximately 17.6 million shares at a price of $29.80 per share. Net of commissions and fees, this issuance added approximately $516 million to common stock.

See Note 13 of the Notes to Consolidated Financial Statements for further information regarding equity transactions during 2014.

As of February 18, 2015, there were 5,323 holders of record of the Company’s common stock.

EQUITY CAPITAL AND DIVIDENDS

We have 4,400,000 authorized shares of preferred stock without par value and with a liquidation preference of $1,000 per share. As of December 31, 2014, 66,034, 143,750, 171,827, 126,221, 300,893, and 195,152 of preferred shares series A, F, G, H, I, and J respectively, have been issued and are outstanding. In addition, holders of $151 million of the Company’s subordinated debt have the right to convert that debt into either Series A or C preferred stock. In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings available to common shareholders and are paid quarterly or semiannually in arrears. The redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. All of the outstanding series of preferred stock are registered with the SEC. In addition, Series A, F, G, and H preferred stock are listed and traded on the New York Stock Exchange. See Note 13 of the Notes to Consolidated Financial Statements for further information regarding the Company’s preferred stock.

The frequency and amount of common stock dividends paid during the last two years are as follows:

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| 2014 | $0.04 | $0.04 | $0.04 | $0.04 |
| 2013 | 0.01 | 0.04 | 0.04 | 0.04 |

The Company’s Board of Directors approved a dividend of $0.04 per common share payable on February 26, 2015 to shareholders of record on February 19, 2015. The Company expects to continue its policy of paying regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, financial condition, and regulatory approvals.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The information contained in Item 12 of this Form 10-K is incorporated by reference herein.

SHARE REPURCHASES

The following schedule summarizes the Company’s share repurchases for the fourth quarter of 2014:

Table of Contents

| Period | Total number of shares repurchased [1] | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the plan |
|---|---|---|---|---|
| October | 985 | $28.80 | — | $— |
| November | 316 | 29.06 | — | — |
| December | 1,057 | 27.51 | — | — |
| Fourth quarter | 2,358 | 28.26 | — | |

[1]Represents common shares acquired from employees in connection with the Company’s stock compensation plan. Shares were acquired from employees to pay for their payroll taxes upon the vesting of restricted stock and restricted stock units under the “withholding shares” provision of an employee share-based compensation plan.

PERFORMANCE GRAPH

The following stock performance graph compares the five-year cumulative total return of Zions Bancorporation’s common stock with the Standard & Poor’s 500 Index and the KBW Bank Index, both of which include Zions Bancorporation. The KBW Bank Index is a market capitalization-weighted bank stock index developed and published by Keefe, Bruyette & Woods, Inc., a nationally recognized brokerage and investment banking firm specializing in bank stocks. The index is composed of 24 geographically diverse stocks representing national money center banks and leading regional financial institutions. The stock performance graph is based upon an initial investment of $100 on December 31, 2009 and assumes reinvestment of dividends.

PERFORMANCE GRAPH FOR ZIONS BANCORPORATION
INDEXED COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| Zions Bancorporation | 100.0 | 189.2 | 127.4 | 167.8 | 235.9 | 225.8 |
| KBW Bank Index | 100.0 | 123.3 | 94.9 | 125.8 | 172.9 | 188.9 |
| S&P 500 | 100.0 | 114.8 | 117.2 | 135.8 | 179.4 | 203.6 |

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA
FINANCIAL HIGHLIGHTS

| (Dollar amounts in millions, except per share amounts) | 2014/2013 Change | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| For the Year | | | | | | |
| Net interest income | -1 % | $1,680.0 | $1,696.3 | $1,731.9 | $1,756.2 | $1,714.3 |
| Noninterest income | +51 % | 508.6 | 337.4 | 419.9 | 498.2 | 453.6 |
| Total revenue | +8 % | 2,188.6 | 2,033.7 | 2,151.8 | 2,254.4 | 2,167.9 |
| Provision for loan losses | -13 % | (98.1) | (87.1) | 14.2 | 74.5 | 852.7 |
| Noninterest expense | -3 % | 1,665.3 | 1,714.4 | 1,595.0 | 1,658.6 | 1,718.3 |
| Impairment loss on goodwill | — % | — | — | 1.0 | — | — |
| Income (loss) before income taxes | +53 % | 621.4 | 406.4 | 541.6 | 521.3 | (403.1) |
| Income taxes (benefit) | +56 % | 222.9 | 142.9 | 193.4 | 198.6 | (106.8) |
| Net income (loss) | +51 % | 398.5 | 263.5 | 348.2 | 322.7 | (296.3) |
| Net income (loss) applicable to noncontrolling interests | -100 % | — | (0.3) | (1.3) | (1.1) | (3.6) |
| Net income (loss) applicable to controlling interest | +51 % | 398.5 | 263.8 | 349.5 | 323.8 | (292.7) |
| Net earnings (loss) applicable to common shareholders | +11 % | 326.6 | 294.0 | 178.6 | 153.4 | (412.5) |
| | | | | | | |
| Per Common Share | | | | | | |
| Net earnings (loss) – diluted | +6 % | 1.68 | 1.58 | 0.97 | 0.83 | (2.48) |
| Net earnings (loss) – basic | +6 % | 1.68 | 1.58 | 0.97 | 0.83 | (2.48) |
| Dividends declared | +23 % | 0.16 | 0.13 | 0.04 | 0.04 | 0.04 |
| Book value [1] | +6 % | 31.35 | 29.57 | 26.73 | 25.02 | 25.12 |
| Market price – end | | 28.51 | 29.96 | 21.40 | 16.28 | 24.23 |
| Market price – high | | 33.33 | 31.40 | 22.81 | 25.60 | 30.29 |
| Market price – low | | 25.02 | 21.56 | 16.40 | 13.18 | 12.88 |
| | | | | | | |
| At Year-End | | | | | | |
| Assets | +2 % | 57,209 | 56,031 | 55,512 | 53,149 | 51,035 |
| Net loans and leases | +3 % | 40,064 | 39,043 | 37,665 | 37,258 | 36,830 |
| Deposits | +3 % | 47,847 | 46,362 | 46,133 | 42,876 | 40,935 |
| Long-term debt | -52 % | 1,092 | 2,274 | 2,337 | 1,954 | 1,943 |
| Shareholders' equity: | | | | | | |
| Preferred equity | — % | 1,004 | 1,004 | 1,128 | 2,377 | 2,057 |
| Common equity | +17 % | 6,366 | 5,461 | 4,924 | 4,608 | 4,591 |
| Noncontrolling interests | — % | — | — | (3) | (2) | (1) |
| | | | | | | |
| Performance Ratios | | | | | | |
| Return on average assets | | 0.71 % | 0.48 % | 0.66 % | 0.63 % | (0.57)% |
| Return on average common equity | | 5.42 % | 5.73 % | 3.76 % | 3.32 % | (9.26)% |
| Tangible return on average tangible common equity | | 6.70 % | 7.44 % | 5.18 % | 4.72 % | (11.88)% |
| Net interest margin | | 3.26 % | 3.36 % | 3.57 % | 3.77 % | 3.70 % |

Capital Ratios [1]

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity to assets | 12.88 | % | 11.54 | % | 10.90 | % | 13.14 | % | 13.02 | % |
| Tier 1 common | 11.92 | % | 10.18 | % | 9.80 | % | 9.57 | % | 8.95 | % |
| Tier 1 leverage | 11.82 | % | 10.48 | % | 10.96 | % | 13.40 | % | 12.56 | % |
| Tier 1 risk-based capital | 14.47 | % | 12.77 | % | 13.38 | % | 16.13 | % | 14.78 | % |
| Total risk-based capital | 16.27 | % | 14.67 | % | 15.05 | % | 18.06 | % | 17.15 | % |
| Tangible common equity | 9.48 | % | 8.02 | % | 7.09 | % | 6.77 | % | 6.99 | % |
| Tangible equity | 11.27 | % | 9.85 | % | 9.15 | % | 11.33 | % | 11.10 | % |
| Selected Information | | | | | | | | | | |
| Average common and common-equivalent shares (in thousands) | 192,789 | | 184,297 | | 183,236 | | 182,605 | | 166,054 | |
| Common dividend payout ratio | 9.56 | % | 8.20 | % | 4.14 | % | 4.80 | % | na | |
| Full-time equivalent employees | 10,462 | | 10,452 | | 10,368 | | 10,606 | | 10,524 | |
| Commercial banking offices | 460 | | 469 | | 480 | | 486 | | 495 | |

[1] At year-end.

Table of Contents

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT’S DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Company Overview

Zions Bancorporation (“the Parent”) and subsidiaries (collectively “the Company,” “Zions,” “we,” “our,” “us”) together compr
$57 billion financial holding company headquartered in Salt Lake City, Utah. The Company is considered a “systemically important financial institution” under the Dodd-Frank Act.

- As of December 31, 2014, the Company was the 16th largest domestic bank holding company in terms of deposits and is included in the S&P 500 and NASDAQ Financial 100 indices.
- At December 31, 2014, the Company operated banking businesses through 460 domestic branches in eleven western and southwestern states.
- The Company ranked 4th in small business lending of large institutions in the Small Business Administration’s “Small Business Lending in the United States 2013” report released in December, 2014.
- The Company has been awarded numerous “Excellence” awards by Greenwich Associates, having received 12 awards for the 2013 survey; only 12 U.S. banks were awarded more than 10 excellence awards. The 2014 awards were not available at the time of publication for this document.
- Revenues and profits are primarily derived from commercial customers.
- The Company also emphasizes mortgage banking, wealth management and brokerage services.

Long-Term Strategy

We strive to maintain a local community and regional bank approach for customer-facing elements of our business. We believe that our target customers appreciate the local focus and fast decision-making provided by our local management teams. By retaining a significant degree of autonomy in product offerings and pricing, we believe our banks have a meaningful competitive advantage over larger national banks whose loan and deposit products are often homogeneous. However, we centralize or oversee centrally many non-customer facing operations, such as risk and capital management, and technology and back office operations. Currently, the Company is undertaking an extensive overhaul of its back office and accounting systems and is further evaluating ways to streamline its operations and improve its overall efficiency. By centralizing many of these functions, we believe we can generally achieve greater economies of scale and stronger risk management, and that scale gives our portfolio of community banks superior access to capital markets, more robust treasury management and other product capabilities than smaller, independent community banks.

Our strategy is driven by four key factors:

- focus on geographies representing growth markets;
- maintain a sustainable competitive advantage over large national and global banks by keeping many decisions that affect customers local;
- maintain a sustainable competitive advantage over community banks by delivering superior products, realizing productivity and efficiencies derived from economies of scale, and providing a lower cost of capital; and
- centralize and standardize policies and oversight of key risks, technology and operations.

The Company continues to evaluate and alter its strategies as it attempts to mitigate adverse impacts on shareholder returns; however, given the still-changing regulatory environment, the results of these efforts cannot yet be known.

Table of Contents

Focus on Geographies Representing Growth Markets

The Company seeks to grow both organically and through acquisitions in growth markets, primarily in the Western part of the United States. The states in our Western geographic footprint have, on average, experienced higher rates of population and economic growth than the rest of the country. Our footprint is well diversified by industry and enjoys strong business formation rates, real estate development, and general economic expansion.

- GDP growth in our footprint has exceeded nominal U.S. GDP by an average of 1.2% per year (compounded) over the last 10 years; i.e., from 2003-2013, nominal U.S. GDP grew by 3.9%, while nominal GDP in Zions' footprint (weighted by December 31, 2014 assets) grew by 5.1%.
- Job creation within the Zions' footprint has greatly exceeded the national rate during the past 10 years. U.S. nonfarm payroll jobs increased by 6.2% during the last 10 years; however, job creation in Zions' footprint increased by 15.2%.

While some states in our footprint experienced a significant slowing in economic activity during the recent recession, others experienced above-average growth and stronger resistance to the economic downturn.

More than 77% of the Company's assets are held in the banks headquartered in Utah, Texas and California. Zions Bank has approximately $19 billion in assets, which represent 33% of the Company's assets. Zions Bank is the second largest full-service commercial bank in the state of Utah and the fourth largest in Idaho as measured by domestic deposits, and operates in all submarkets in Utah and most submarkets in Idaho. The Utah economy is primarily based on the energy, agriculture, real estate, computer technology, education, health care, and financial services sectors. During 2014, Utah employment grew at a rate of 3.9% compared to the national employment growth rate of 1.8%. This growth improved Utah's overall unemployment rate to 3.5% in 2014 from 4.1% in 2013. In addition, the Utah state government has been recognized for its policies promoting a business-friendly climate, providing a predictable and stable tax policy, and controlling government spending levels. See "Business Segment Results" on page 46 for further discussion on the 2014 performance of Zions Bank.

Amegy, located in Texas, has $14 billion in assets, which represent approximately 24% of the Company's assets. Texas has a well diversified economy that is the second largest in the United States. Significant drivers of its growth are the energy, health care, manufacturing, transportation, and technology sectors. In addition, the Texas economic environment benefits from business-friendly growth policies and affordable housing markets. These attributes and industry sectors have propelled the Texas economy to outperform the nation, which has resulted in the unemployment rate declining to 4.6% compared to the national rate of 5.6%. Amegy's three primary markets, Houston, Dallas and San Antonio, experienced strong job growth in 2014. However, due to the decline in energy commodity prices in late 2014, economic conditions are generally expected to slow compared to 2014. Included within this document is an extensive discussion on the Company's energy-related exposure as found on page 65. See "Business Segment Results" on page 46 for further discussion on the 2014 performance of Amegy.

CB&T has approximately $11 billion in assets, which represent 20% of the Company's assets. Trends in unemployment, home foreclosures, and bank credit problems continue to improve throughout California, resulting in corresponding reductions in problem credits and nonperforming assets at CB&T. During 2014, California employment grew 2.1%, which marked the state's third straight year growing at least 2%. This growth improved California's overall unemployment rate to 7.0% in 2014 from 8.3% in 2013. California's recovery, however, has been uneven with coastal areas experiencing much greater gains in employment and housing prices than the interior parts of the state. CB&T's primary markets – the coastal and major metropolitan areas in California including the San Francisco Bay area, Los Angeles County, Orange County, and San Diego – continued to experience economic improvements in 2014 compared to 2013. Unemployment rates are much lower in CB&T's primary markets compared to the state as a whole. See "Business Segment Results" on page 46 for further discussion of the 2013 performance of CB&T.

Table of Contents

Keep Decisions That Affect Customers Local

We believe that over the long term, ensuring that local management teams retain the authority over many of the decisions affecting their customers is a strategy that ultimately generates optimal growth and profitability in our banking businesses. We operate eight different community and regional banks, each under a different name and each with its own charter, chief executive officer, and management team. We believe this approach allows us to attract and retain exceptional management, and provides service of the highest quality to our targeted customers. This structure helps ensure that many of the decisions related to customers are made at a local level:

- branding and marketing strategies;
- product offerings and pricing;
- credit decisions (within the limits of established corporate policy); and
- relationship management strategies and the integration of various business lines.

The results of this service are evident in the outcome of the Greenwich Associates annual survey, wherein the Company consistently receives numerous “Excellent” ratings from small and middle-market businesses.

Maintain a Sustainable Competitive Advantage Over Community Banks

To create a sustainable competitive advantage over other smaller community banks, we focus on achieving better product breadth and quality, productivity, economies of scale, availability of liquidity, and a lower cost of capital. Compared to community banks, our objectives include the following:

- Use the combined scale of all of our banking operations to create a broad product offering;
- Utilize our larger capital base and breadth of product offerings to lend to business customers of a wide range of sizes, from small businesses to large companies;
- For certain products for which economies of scale are believed to be critical, we “manufacture” the product centrally or are able to obtain services from third-party vendors at lower costs due to volume-driven pricing power; and
- Take advantage of our combined size and diversification that affords us superior access to the capital markets for debt and equity financing; over the long term, this advantage has historically, and should in the future, result in a lower cost of capital than our subsidiary banks could achieve on their own.

Centralize and Standardize Policies and Oversight of Key Risks

We seek to standardize policies and practices related to the management of key risks in order to assure a consistent risk profile in an otherwise decentralized management model. Among these key risks and functions are credit, interest rate, liquidity, and market risks.

- The Company conducts regular stress testing of the loan portfolio using multiple economic scenarios. Such tests help to identify pockets of risk and enable management to reduce risk.
- The Company oversees credit risk using a single credit policy and specialists in business, commercial real estate, and consumer lending; additionally the Company’s manages concentration risk.
- The Company regularly measures interest rate and liquidity risk and uses capital markets instruments to adjust risks to stay within Board-approved levels.
- The Company centrally monitors and oversees operational risk. Centralized internal audit, credit examination, and compliance functions test compliance with established policies.

MANAGEMENT’S OVERVIEW OF 2014 PERFORMANCE

The Company reported net earnings applicable to common shareholders for 2014 of $326.6 million or $1.68 diluted earnings per share compared to $294.0 million or $1.58 per diluted common share for 2013.

While we are encouraged with the 2014 results, net income and returns on capital are still lower than peers and the Company’s aspirations.

Table of Contents

Areas Experiencing Strength in 2014

- Net income to common shareholders improved in 2014. Two major items had a significant adverse impact on profitability during the year: 1) while debt extinguishment cost related to high-cost debt was lower than it was in 2013, the Company still had $44.4 million of debt extinguishment cost in 2014, and 2) elevated salaries and employee benefits due largely to the Company's initiative to streamline its back office and accounting. Two major items had a significant favorable impact on profitability in 2014: 1) the negative provision for loan losses and unfunded lending commitments of $106.7 million (which is not expected to continue in 2015), and 2) the reduction of interest expense on long-term debt from the debt redemptions and maturities.
- Tier 1 common ("T1C") capital plus reserves for credit losses improved and ranks well above the peer median (see Chart 1). In July of 2014 the Company issued $525 million of common equity in response to the CCAR results; as a result of this action, as well as increased retained earnings, the T1C capital ratio further improved to 11.92% at December 31, 2014.
- Additionally, we made significant progress towards reducing the cost of debt. In 2014, we reduced long-term debt by $1.2 billion through tender offers, early calls and redemptions at maturity. As a result of these actions, we estimate that interest expense on long-term debt in 2015 will decline by approximately $53 million.
- Asset quality improved significantly; nonperforming lending-related assets declined 28% in 2014 (see Chart 2), and net charge-offs declined to $42 million in 2014 compared to $52 million in 2013. As a result, credit costs, including the provision for loan losses and unfunded lending commitments, other real estate expense and credit-related expense, declined approximately 16%.
- Despite a difficult interest rate environment and modest loan growth, net interest income only declined 1.0% in 2014 compared to 2013 (see Chart 3), and grew slightly in the fourth quarter of 2014. The decline was due to reduced income from FDIC-supported loans as that portfolio, purchased in 2009, winds down.
- During 2014 we undertook considerable actions to reduce risk by selling a significant portion of the Company's construction and land development loans, as well as significantly reducing the size of the CDO portfolio.
- Tangible book value per common share improved by 9.8% in 2014, compared to 2013, due to increased retained earnings and a reduction in OCI due to CDO sales and improvement in the market value of the remaining CDO securities.

Chart 1. TIER 1 COMMON CAPITAL + RESERVES AS A PERCENTAGE OF RISK-WEIGHTED ASSETS*

Table of Contents

Chart 2. NONPERFORMING LENDING-RELATED ASSETS AS A PERCENTAGE OF NET LOANS AND OTHER REAL ESTATE OWNED

Chart 3. NET INTEREST INCOME
(amounts in millions)

Areas Experiencing Weakness in 2014

- Although net income applicable to common shareholders improved in 2014, the additional common equity issued in response to the Federal Reserve 2014 stress test results for the Company and additional retained earnings meant that returns on common equity declined. For example, the tangible return on tangible common equity declined to 6.7% in 2014 from 7.4% in 2013.
- Although loans increased somewhat compared to 2013, the growth was very modest. Loans increased on a net basis by $1.0 billion, or 2.6%, compared to December 31, 2013, including increases of $704 million in commercial and industrial and $459 million in 1-4 family residential. As noted, the Company particularly constrained the growth in construction and land development loans in 2014 for risk management purposes. We also continued to experience weakness resulting from attrition in our National Real Estate Group owner-occupied loan portfolio, which is expected to continue. This business is a wholesale business and depends upon loan referrals from other community banking institutions; due to generally soft loan demand nationally, many banks are retaining, rather than selling, their loan production.

Table of Contents

- Our net interest margin declined to 3.26% in 2014 from 3.36% in 2013, which was due primarily to a reduction in FDIC-supported loan income as that portfolio continues to wind down, competitive pricing pressure, and improvement in the underlying quality of our borrowers' financial condition (see discussion on asset quality on page 72). Nevertheless, our NIM continued to remain reasonably strong relative to other peer banks, and actually improved slightly in the fourth quarter of 2014 compared to the third quarter.
- Redemption expenses of high-cost debt weighed significantly on profitability. The high cost of debt is a byproduct of our efforts to stabilize the Company's capital base and funding during the recent recession. While significant debt refinancing activities were completed in 2014, some additional relatively expensive debt that matures in 2015 remains.
- Noninterest expense levels are elevated and are expected to remain higher than normal as we continue to implement several technology initiatives that are designed to streamline the efficiency of the Company. Upon completion of these initiatives, we expect expenses relative to revenues to improve meaningfully.

Areas of Focus for 2015

In 2015, we are focused on improving Company profitability and returns on equity with initiatives across the enterprise. Major areas of emphasis include:

Business activities:

- Stabilize and improve net interest margin by:
  Continuing to incrementally deploy the Company's excess cash into higher yielding, short-to-medium duration HQLA, which was begun in the latter half of 2014.
  Complete the retirement of expensive long-term debt that arose from actions taken during the economic crisis.
- Continue to emphasize loan growth, particularly through continued strong business lending and additional growth in residential mortgage lending; and
- Continue efforts to increase fee income.

Continued improvements in the capital structure:

- In addition to the retirement of debt mentioned previously, over time seek to alter the mix of capital in our capital structure; that mix currently includes relatively higher levels of preferred stock than peer institutions.

Credit:

- Maintain strong levels of asset quality. We expect energy loans to experience deterioration although losses are currently expected to be modest; however, we expect continued modest improvement in other segments of the loan portfolio.

Operations:

- Continue to invest in previously announced major upgrades to the Company's systems, while maintaining noninterest expenses at or near current levels.
- Pursue further opportunities for operating efficiencies.
- Continue responsible risk management improvements.

Table of Contents

Schedule 1 presents the key drivers of the Company's performance during 2014 and 2013.

Schedule 1
KEY DRIVERS OF PERFORMANCE
2014 COMPARED TO 2013

| Driver | 2014 | 2013 | Change better/(worse) |
|---|---|---|---|
| | (Amounts in billions) | | |
| Average net loans and leases | $39.5 | $38.1 | 4 % |
| Average money market investments | 8.2 | 8.8 | (7 )% |
| Average noninterest-bearing deposits | 19.6 | 18.0 | 9 % |
| Average total deposits | 46.3 | 45.3 | 2 % |
| | (Amounts in millions) | | |
| Net interest income | $1,680.0 | $1,696.3 | (1 )% |
| Provision for loan losses | (98.1 ) | (87.1 ) | 13 % |
| Net impairment losses on investment securities | — | (165.1 ) | 100 % |
| Other noninterest income | 508.6 | 502.5 | 1 % |
| Noninterest expense | 1,665.3 | 1,714.4 | 3 % |
| Nonaccrual loans [1] | 307 | 406 | 24 % |
| Net interest margin | 3.26 % | 3.36 % | (10)bps |
| Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned [2] | 0.81 % | 1.15 % | 34 bps |
| Ratio of total allowance for credit losses to net loans and leases outstanding | 1.71 % | 2.14 % | 43 bps |
| Tier 1 common capital ratio | 11.92 % | 10.18 % | 174 bps |

[1] Includes FDIC-supported loans.
[2] Includes loans for sale.

## CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Note 1 of the Notes to Consolidated Financial Statements contains a summary of the Company's significant accounting policies. Discussed below are certain significant accounting policies that we consider critical to the Company's financial statements. These critical accounting policies were selected because the amounts affected by them are significant to the financial statements. Any changes to these amounts, including changes in estimates, may also be significant to the financial statements. We believe that an understanding of these policies, along with the related estimates we are required to make in recording the financial transactions of the Company, is important to have a complete picture of the Company's financial condition. In addition, in arriving at these estimates, we are required to make complex and subjective judgments, many of which include a high degree of uncertainty. The following discussion of these critical accounting policies includes the significant estimates related to these policies. We have discussed each of these accounting policies and the related estimates with the Audit Committee of the Board of Directors.

We have included, where applicable in this document, sensitivity schedules and other examples to demonstrate the impact of the changes in estimates made for various financial transactions. The sensitivities in these schedules and examples are hypothetical and should be viewed with caution. Changes in estimates are based on variations in assumptions and are not subject to simple extrapolation, as the relationship of the change in the assumption to the change in the amount of the estimate may not be linear. In addition, the effect of a variation in one assumption is in reality likely to cause changes in other assumptions, which could potentially magnify or counteract the sensitivities.

Table of Contents

Fair Value Estimates
The Company measures or monitors many of its assets and liabilities on a fair value basis. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To increase consistency and comparability in fair value measurements, current accounting guidance has established a three-level hierarchy to prioritize the valuation inputs among (1) observable inputs that reflect quoted prices in active markets, (2) inputs other than quoted prices with observable market data, and (3) unobservable data such as the Company's own data or single dealer nonbinding pricing quotes.

When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analysis. These modeling techniques utilize assumptions that market participants would use in pricing the asset or the liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, the related life of the asset and applicable growth rate, the risk of nonperformance, and other related assumptions.

The selection and weighting of the various fair value techniques may result in a fair value higher or lower than carrying value. Considerable judgment may be involved in determining the amount that is most representative of fair value.

For assets and liabilities recorded at fair value, the Company's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those items where there is an active market. In certain cases, when market observable inputs for model-based valuation techniques may not be readily available, the Company is required to make judgments about assumptions market participants would use in estimating the fair value of the financial instrument. The models used to determine fair value adjustments are regularly evaluated by management for relevance under current facts and circumstances.

Changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. When market data is not available, the Company would use valuation techniques requiring more management judgment to estimate the appropriate fair value.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary measure of accounting. Fair value is used on a nonrecurring basis to measure certain assets or liabilities (including HTM securities, loans held for sale, and OREO) for impairment or for disclosure purposes in accordance with current accounting guidance.

Impairment analysis also relates to long-lived assets, goodwill, and core deposit and other intangible assets. An impairment loss is recognized if the carrying amount of the asset is not likely to be recoverable and exceeds its fair value. In determining the fair value, management uses models and applies the techniques and assumptions previously discussed.

Investment securities are valued using several methodologies, which depend on the nature of the security, availability of current market information, and other factors. CDOs are valued using an internal model and the assumptions are analyzed for sensitivity. "Investment Securities Portfolio" on page 52 provides more information regarding this analysis.

Investment securities are reviewed formally on a quarterly basis for the presence of OTTI. The evaluation process takes into account current market conditions, the fair value of the security relative to its amortized cost, and many other factors. The decision to deem these securities OTTI is based on a specific analysis of the structure of each security and an evaluation of the underlying collateral. OTTI is considered to have occurred if its fair value is below amortized cost and (1) we intend to sell the security, or (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

31

Table of Contents

to recover the entire amortized cost basis. The “more likely than not” criteria is a lower threshold than the “probable” criteria.

Notes 1, 5, 7, 9 and 20 of the Notes to Consolidated Financial Statements and “Investment Securities Portfolio” on page 52 contain further information regarding the use of fair value estimates.

Allowance for Credit Losses

The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent in the loan portfolio, but which have not been specifically identified. The determination of the appropriate level of the allowance is based on periodic evaluations of the portfolios. This process includes both quantitative and qualitative analyses, as well as a qualitative review of the results. The qualitative review requires a significant amount of judgment, and is described in more detail in Note 6 of the Notes to Consolidated Financial Statements.

The reserve for unfunded lending commitments provides for potential losses associated with off-balance sheet lending commitments and standby letters of credit. The reserve is estimated using the same procedures and methodologies as for the allowance for loan losses, plus assumptions regarding the probability and amount of unfunded commitments being drawn.

There are numerous components that enter into the evaluation of the allowance for loan losses. Although we believe that our processes for determining an appropriate level for the allowance adequately address the various components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates and projections could require an additional provision for credit losses. As an example, if the PD risk grade, for all pass-graded commercial and CRE loans, was immediately downgraded one grade on a 1-14 grade scale, the quantitatively determined amount of the allowance for loan losses at December 31, 2014 would increase by approximately $77 million. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in risk grades may have on the allowance estimation process.

Although the qualitative process is subjective, it represents the Company’s best estimate of qualitative factors impacting the determination of the allowance for loan losses. Such factors include, but are not limited to, national and regional economic trends and indicators. We believe that given the procedures we follow in determining the allowance for loan losses for the loan portfolio, the various components used in the current estimation processes are appropriate.

Note 6 of the Notes to Consolidated Financial Statements and “Credit Risk Management” on page 63 contain further information and more specific descriptions of the processes and methodologies used to estimate the allowance for credit losses.

Accounting for Goodwill

Goodwill is initially recorded at fair value and is subsequently evaluated at least annually for impairment in accordance with current accounting guidance. We perform this annual test as of October 1 of each year, or more often if events or circumstances indicate that carrying value may not be recoverable. The goodwill impairment test for a given reporting unit (generally one of our subsidiary banks) compares its fair value with its carrying value. If the carrying amount exceeds fair value, an additional analysis must be performed to determine the amount, if any, by which goodwill is impaired.

To determine the fair value, we generally use a combination of up to three separate methods: comparable publicly traded financial service companies (primarily banks and bank holding companies) in the Western and Southwestern states ("Market Value"); where applicable, comparable acquisitions of financial services companies in the Western

Table of Contents

and Southwestern states ("Transaction Value"); and the discounted present value of management's estimates of future cash flows. Critical assumptions that are used as part of these calculations include:

- selection of comparable publicly traded companies based on location, size, and business focus and composition;
- selection of market comparable acquisition transactions based on location, size, business focus and composition, and date of the transaction;
- the discount rate, which is based on Zions' estimate of its cost of capital, applied to future cash flows;
- the projections of future earnings and cash flows of the reporting unit;
- the relative weight given to the valuations derived by the three methods described; and
- the control premium associated with reporting units.

We apply a control premium in the Market Value approach to determine the reporting units' equity values. Control premiums represent the ability of a controlling shareholder to change how the Company is managed and can cause the fair value of a reporting unit as a whole to exceed its market capitalization. Based on a review of historical bank acquisition transactions within the Company's geographic footprint, and a comparison of the target banks' market values 30 days prior to the announced transaction to the deal value, we have determined that a control premium of 25% was appropriate at the most recent test date.

Since estimates are an integral part of the impairment computations, changes in these estimates could have a significant impact on any calculated impairment amount. Estimates include economic conditions, which impact the assumptions related to interest and growth rates, loss rates and imputed cost of equity capital. The fair value estimates for each reporting unit incorporate current economic and market conditions, including Federal Reserve monetary policy expectations and the impact of legislative and regulatory changes. Additional factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, loan losses, changes in growth trends, cost structures and technology, changes in equity market values and merger and acquisition valuations, and changes in industry conditions.

Weakening in the economic environment, a decline in the performance of the reporting units, or other factors could cause the fair value of one or more of the reporting units to fall below carrying value, resulting in a goodwill impairment charge. Additionally, new legislative or regulatory changes not anticipated in management's expectations may cause the fair value of one or more of the reporting units to fall below the carrying value, resulting in a goodwill impairment charge. Any impairment charge would not affect the Company's regulatory capital ratios, tangible common equity ratio, or liquidity position.

During the fourth quarter of 2014, we performed our annual goodwill impairment evaluation of the entire organization, effective October 1, 2014. Upon completion of the evaluation process, we concluded that none of our subsidiary banks was impaired. Furthermore, the evaluation process determined that the fair values of Amegy, CB&T, and Zions Bank exceeded their carrying values by 27%, 40% and 33%, respectively. Additionally, we performed a hypothetical sensitivity analysis on the discount rate assumption to evaluate the impact of an adverse change to this assumption. If the discount rate applied to future earnings were increased by 100 bps, the fair values of Amegy, CB&T, and Zions Bank would exceed their carrying values by 17%, 30% and 13%, respectively. Additionally, because of the significant decline in energy prices since October 1, 2014, we ran additional sensitivity analyses to estimate the impact that the decline would have on Amegy's value. Even in the most severe of the additional sensitivity analyses related to the decline in energy prices, the goodwill of Amegy was not considered impaired. Note 9 of the Notes to Consolidated Financial Statements contains additional information related to goodwill.

Income Taxes

The Company is subject to the income tax laws of the United States, its states and other jurisdictions where the Company conducts business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and

Table of Contents

estimates about the application of these laws and related regulations. In the process of preparing the Company's tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to reinterpretation based on management's ongoing assessment of facts and evolving case law.

The Company had net Deferred Tax Assets ("DTAs") of $224 million at December 31, 2014, compared to $304 million at December 31, 2013. The most significant portions of the deductible temporary differences relate to (1) the allowance for loan losses, (2) fair value adjustments or impairment write-downs related to securities and (3) deferred compensation arrangements. No valuation allowance has been recorded as of December 31, 2014 related to DTAs except for a full valuation reserve related to certain acquired net operating losses from an immaterial nonbank subsidiary. In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. The ultimate realization of DTAs is based on the Company's ability to (1) carry back net operating losses to prior tax periods, (2) utilize the reversal of taxable temporary differences to offset deductible temporary differences, (3) implement tax planning strategies that are prudent and feasible, and (4) generate future taxable income.

After considering the weight of the positive evidence compared to the negative evidence, management has concluded it is more likely than not that the Company will realize the existing DTAs and that an additional valuation allowance is not needed.

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are also reassessed on a regular basis. Reserves for contingent tax liabilities are reviewed quarterly for adequacy based upon developments in tax law and the status of examinations or audits. The Company has tax reserves at December 31, 2014 of approximately $2 million, net of federal and/or state benefits, for uncertain tax positions primarily for various state tax contingencies in several jurisdictions.

Note 14 of the Notes to Consolidated Financial Statements contains additional information regarding income taxes.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note 2 of the Notes to Consolidated Financial Statements discusses recently issued accounting pronouncements that the Company will be required to adopt. Also discussed is the Company's expectation of the impact these new accounting pronouncements will have, to the extent they are material, on the Company's financial condition, results of operations, or liquidity.

RESULTS OF OPERATIONS

The Company reported net earnings applicable to common shareholders of $326.6 million, or $1.68 per diluted common share for 2014, compared to $294.0 million, or $1.58 per diluted common share for 2013. The following changes had a favorable impact on net earnings applicable to common shareholders:

- $165.1 million decrease in net impairment losses on investment securities;
- $75.8 million decrease in debt extinguishment cost;
- $62.8 million decrease in interest on long-term debt;
- $23.6 million decrease in preferred stock dividends;
- $19.3 million decrease in other noninterest expense; and
- $13.3 million increase in fixed income securities gains.

The impact of these items was partially offset by the following:

- $125.7 million decrease in preferred stock redemption benefit;
- $85.0 million decrease in interest and fees on loans;

- $80.0 million increase in income tax expense; and
- $43.5 million increase in salaries and employee benefits.

Table of Contents

The Company reported net earnings applicable to common shareholders of $294.0 million, or $1.58 per diluted common share for 2013, compared to $178.6 million, or $0.97 per diluted common share for 2012. The following changes had a favorable impact on net earnings applicable to common shareholders:

- $125.7 million benefit from preferred stock redemption;
- $101.4 million decrease in the provision for loan losses;
- $75.4 million reduction in preferred stock dividends;
- $21.5 million decrease in the provision for unfunded lending commitments; and
- $18.0 million decline in other real estate expense.

The impact of these items was partially offset by the following:

- $120.2 million increase in debt extinguishment cost;
- $61.1 million increase in net impairment losses on investment securities;
- $35.6 million decrease in net interest income;
- $27.3 million increase in salaries and employee benefits; and
- $25.3 million increase in other noninterest expense.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Taxable-equivalent net interest income is the largest portion of the Company's revenue. For 2014, taxable-equivalent net interest income was $1,696.1 million, compared to $1,711.8 million and $1,750.2 million, in 2013 and 2012, respectively. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all years presented.

Net interest margin in 2014 vs. 2013

The net interest margin was 3.26% and 3.36% for 2014 and 2013, respectively. The decrease resulted primarily from lower yields on loans and AFS investment securities. The impact of these items was partially offset by lower yields and balances on the Company's long-term debt.

Even though the Company's average loan portfolio was $1.4 billion higher during 2014, compared to 2013, the average interest rate earned on those assets was 4.39%, which is 38 bps lower than the comparable prior year rate. This decline in interest income was primarily caused by (1) reduced interest income on loans acquired with FDIC assistance in 2009, as those acquired portfolios were successfully managed down, (2) adjustable rate loans originated in the past resetting to lower rates due to the current repricing index being lower than the rate when the loans were originated, and (3) loans originated at lower rates than the weighted average rate of the existing portfolio. The primary reasons for the narrowing of credit and interest rate spreads are a combination of competitive pricing pressures and improved customer credit, which are the result of a more stable economic environment than a few years ago; a portion of the narrowing of the spreads may be attributed to the improved fundamental condition of the Company's borrowers, such as stronger earnings and improved leverage ratios.

The average HTM securities portfolio was $609 million during 2014, compared to $762 million during the same prior year period. During the fourth quarter of 2013, the Company reclassified a substantial portion of its CDO securities from HTM to AFS as a result of the impact of the Volcker Rule. The average yield earned during 2014 on HTM securities was 36 bps higher than the yield in 2013, primarily due to the reclassification of CDO securities into the AFS portfolio during the fourth quarter of 2013 that have a lower-yield than the remaining securities in the HTM portfolio.

The average balance of AFS securities for 2014 increased by $365 million, or 11.7%, compared to 2013, and the average yield in 2014 was 15 bps lower than in 2013. The increase in AFS securities was due primarily to purchases of approximately $1.0 billion par amount of agency pass-through securities. The yield was also impacted by the sale of $913 million amortized cost of the Company's CDO securities during 2014.

Average noninterest-bearing demand deposits provided the Company with low cost funding and comprised 42.4%

of average total deposits for 2014, compared to 39.7% for 2013. Average interest-bearing deposit balances were down 2.5% in 2014 compared to 2013; however, the rate paid declined by 3 bps to 19 bps, thus continuing the difficulty to reduce deposit costs further as these costs approach zero.

From December 31, 2013, the Company has reduced long-term debt by $1.2 billion as a result of tender offers, early calls, and redemptions at maturity, including $835 million during the third quarter of 2014. These actions led to a decrease of $463 million, or 20.3%, of the Company's average long-term debt outstanding in 2014 compared to 2013. The average interest rate paid on long-term debt for 2014 decreased by 138 bps compared to 2013. Refer to the "Liquidity Risk Management" section beginning on page 81 for more information.

During 2014, most of the Company's cash in excess of that needed to fund earning assets was invested in money market assets, primarily deposits with the Federal Reserve Bank. Average money market investments were 15.8% of total interest-earning assets, compared to 17.3% in the prior year.

See "Interest Rate and Market Risk Management" on page 76 for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and the associated risk.

Net interest margin in 2013 vs. 2012

The net interest margin was 3.36% and 3.57% for 2013 and 2012, respectively. The decrease resulted primarily from:

- lower yields on loans, excluding FDIC-supported loans, and AFS investment securities; and
- increased balance of low-yielding money market investments.

The impact of these items was partially offset by the following favorable developments:

- lower yields on long-term debt and deposit funding; and
- higher yields on FDIC-supported loans.

Even though the Company's average loan portfolio, excluding FDIC-supported loans, was $1.3 billion higher in 2013 than in 2012, the average interest rate earned on those assets was 42 bps lower. This decline in interest income was driven by a reduction in FDIC-supported loan income as that portfolio continues to wind down, competitive pricing pressure, and improvement in the underlying quality of our borrowers' financial condition (see discussion on asset quality on page 72).

The yield earned on AFS securities during 2013 was 77 bps lower than in the prior year. The yield decline primarily related to lower yields on asset-backed securities. The fair values of these securities increased during 2013, but the coupon rates stayed the same, resulting in lower yields. Also, the interest rates for most of the securities in the AFS securities portfolio are based on variable rate indexes such as the 3-month LIBOR rate, which decreased between these years.

During 2013, most of the Company's excess liquidity was invested in money market assets, primarily deposits with the Federal Reserve Bank. Average money market investments increased to 17.3% of total interest-earning assets in 2013 compared to 16.2% in the prior year. The average rate earned on these investments remained essentially unchanged for these years.

Noninterest-bearing demand deposits provided the Company with low cost funding and comprised 39.7% of average total deposits in 2013 compared to 38.4% in 2012. Additionally, the average rate paid on interest-bearing deposits during 2013 decreased by 8 bps compared to 2012.

During 2013, the Company refinanced a portion of its long-term debt by redeeming and repurchasing higher cost debt, while issuing new lower cost debt. This resulted in a $39 million increase in the average balance of long-term debt. The average interest rate paid on long-term debt decreased by 191 bps due to these transactions, as well as a reduction in the accelerated amortization of discount related to conversions of subordinated debt to preferred stock. Refer to the "Liquidity Management Actions" section on page 83 for more information.

Table of Contents

Chart 4 illustrates recent trends in the net interest margin and the average federal funds rate.

Chart 4. NET INTEREST MARGIN

See “Interest Rate and Market Risk Management” on page 76 for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and the associated risk.

The spread on average interest-bearing funds was 2.99%, 3.02%, and 3.16% for 2014, 2013, and 2012, respectively. The spread on average interest-bearing funds for 2014 was affected by the same factors that had an impact on the net interest margin.

We expect the mix of interest-earning assets to change over the next several quarters due to further decreases in the FDIC-supported/PCI loan portfolio, and slight-to-moderate loan growth in the commercial and industrial and residential mortgage portfolios, accompanied by somewhat less growth in commercial real estate loans. In addition, as discussed below, we are incrementally investing in short-to-medium duration agency pass-through securities that qualify as HQLA; over time we expect these investments to reduce the proportion of earning assets in cash and money market instruments, and increase the proportion of AFS securities. Average yields on the loan portfolio are likely to continue to experience modest downward pressure due to competitive pricing, lower benchmark indices (such as LIBOR), and growth in lower-yielding residential mortgages; however, we expect this pressure to be somewhat less likely than in the prior two years. We believe that some of the downward pressure on the net interest margin will be mitigated by lower interest expense on reduced levels of long-term debt that resulted from the Company’s tender offers, early calls, and maturities during 2014. Additional reductions to long-term debt will occur due to maturities in 2015. We also believe we can offset some of the pressure on the net interest margin through loan growth.

The Company expects to remain “asset-sensitive” (which refers to net interest income increasing as a result of a rising interest rate environment) with regard to interest rate risk. In response to new liquidity and liquidity stress-testing regulations, which elevate, relative to historic levels, the proportion of high quality liquid assets that the Company will be required to hold on its balance sheet, we decided in the second half of 2014 to begin deploying cash into short-to-medium duration agency pass-through securities. In 2014, the Company increased its HQLA securities by approximately $1.0 billion par amount and is continuing these purchases in 2015. Over time these purchases are expected to somewhat reduce our asset sensitivity compared to previous periods. Our estimates of the Company’s actual interest rate risk position are highly dependent upon a number of assumptions regarding the repricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. In addition, our modeled projections for noninterest-bearing demand deposits, a substantial portion of our deposit balances, are particularly reliant on assumptions for which there is little historical experience due to the prolonged period of very low interest rates. Further detail on interest rate risk is discussed in “Interest Rate Risk” on page 77.

Table of Contents

The following schedule summarizes the average balances, the amount of interest earned or incurred, and the applicable yields for interest-earning assets and the costs of interest-bearing liabilities that generate taxable-equivalent net interest income.

Schedule 2

DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY

AVERAGE BALANCE SHEETS, YIELDS AND RATES

| (Amounts in millions) | 2014 Average balance | Amount of interest [1] | Average rate | 2013 Average balance | Amount of interest [1] | Average rate |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Money market investments | $8,211 | $21.4 | 0.26 % | $8,848 | $23.4 | 0.26 % |
| Securities: | | | | | | |
| Held-to-maturity | 609 | 32.1 | 5.27 | 762 | 37.4 | 4.91 |
| Available-for-sale | 3,472 | 75.3 | 2.17 | 3,107 | 72.2 | 2.32 |
| Trading account | 61 | 2.0 | 3.22 | 32 | 1.0 | 3.29 |
| Total securities | 4,142 | 109.4 | 2.64 | 3,901 | 110.6 | 2.84 |
| Loans held for sale | 128 | 4.6 | 3.63 | 149 | 5.4 | 3.58 |
| Loans and leases [2] | 39,523 | 1,733.7 | 4.39 | 38,107 | 1,817.5 | 4.77 |
| Total interest-earning assets | 52,004 | 1,869.1 | 3.59 | 51,005 | 1,956.9 | 3.84 |
| Cash and due from banks | 897 | | | 1,016 | | |
| Allowance for loan losses | (690) | | | (830) | | |
| Goodwill | 1,014 | | | 1,014 | | |
| Core deposit and other intangibles | 31 | | | 44 | | |
| Other assets | 2,634 | | | 2,693 | | |
| Total assets | $55,890 | | | $54,942 | | |
| LIABILITIES | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Saving and money market | $23,532 | 37.0 | 0.16 | $22,891 | 39.7 | 0.17 |
| Time | 2,490 | 11.5 | 0.46 | 2,792 | 15.9 | 0.57 |
| Foreign | 642 | 1.2 | 0.18 | 1,662 | 3.3 | 0.20 |
| Total interest-bearing deposits | 26,664 | 49.7 | 0.19 | 27,345 | 58.9 | 0.22 |
| Borrowed funds: | | | | | | |
| Federal funds purchased and other short-term borrowings | 223 | 0.3 | 0.11 | 278 | 0.3 | 0.11 |
| Long-term debt | 1,811 | 123.0 | 6.79 | 2,274 | 185.9 | 8.17 |
| Total borrowed funds | 2,034 | 123.3 | 6.06 | 2,552 | 186.2 | 7.29 |
| Total interest-bearing liabilities | 28,698 | 173.0 | 0.60 | 29,897 | 245.1 | 0.82 |
| Noninterest-bearing deposits | 19,609 | | | 17,971 | | |
| Other liabilities | 555 | | | 586 | | |
| Total liabilities | 48,862 | | | 48,454 | | |
| Shareholders' equity: | | | | | | |
| Preferred equity | 1,004 | | | 1,360 | | |
| Common equity | 6,024 | | | 5,130 | | |
| Controlling interest shareholders' equity | 7,028 | | | 6,490 | | |
| Noncontrolling interests | — | | | (2) | | |
| Total shareholders' equity | 7,028 | | | 6,488 | | |
| Total liabilities and shareholders' equity | $55,890 | | | $54,942 | | |
| Spread on average interest-bearing funds | | | 2.99 % | | | 3.02 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Taxable-equivalent net interest income and net yield on interest-earning assets | $1,696.1 | 3.26 | % | $1,711.8 | 3.36 | % |

[1] Taxable-equivalent rates used where applicable.

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

38

Table of Contents

| 2012 | | | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|
| Average balance | Amount of interest [1] | Average rate | Average balance | Amount of interest [1] | Average rate | Average balance | Amount of interest [1] | Average rate |
| $7,930 | $21.1 | 0.27 % | $5,356 | $13.8 | 0.26 % | $4,085 | $11.0 | 0.27 % |
| 774 | 42.3 | 5.47 | 818 | 44.7 | 5.47 | 866 | 44.3 | 5.12 |
| 3,047 | 94.2 | 3.09 | 3,895 | 89.6 | 2.30 | 3,416 | 91.5 | 2.68 |
| 24 | 0.7 | 3.13 | 58 | 2.0 | 3.45 | 61 | 2.2 | 3.64 |
| 3,845 | 137.2 | 3.57 | 4,771 | 136.3 | 2.86 | 4,343 | 138.0 | 3.18 |
| 187 | 6.6 | 3.51 | 146 | 5.7 | 3.94 | 187 | 8.9 | 4.78 |
| 37,037 | 1,892.0 | 5.11 | 36,897 | 2,053.0 | 5.56 | 38,326 | 2,170.5 | 5.66 |
| 48,999 | 2,056.9 | 4.20 | 47,170 | 2,208.8 | 4.68 | 46,941 | 2,328.4 | 4.96 |
| 1,102 | | | 1,056 | | | 1,214 | | |
| (986) | | | (1,272) | | | (1,556) | | |
| 1,015 | | | 1,015 | | | 1,015 | | |
| 60 | | | 78 | | | 101 | | |
| 3,089 | | | 3,363 | | | 3,912 | | |
| $53,279 | | | $51,410 | | | $51,627 | | |
| $22,061 | 52.3 | 0.24 | $21,476 | 84.8 | 0.39 | $22,039 | 126.5 | 0.57 |
| 3,208 | 23.1 | 0.72 | 3,750 | 35.6 | 0.95 | 4,747 | 59.8 | 1.26 |
| 1,493 | 4.7 | 0.31 | 1,515 | 8.1 | 0.53 | 1,626 | 9.8 | 0.60 |
| 26,762 | 80.1 | 0.30 | 26,741 | 128.5 | 0.48 | 28,412 | 196.1 | 0.69 |
| 499 | 1.4 | 0.28 | 832 | 6.7 | 0.80 | 1,149 | 12.5 | 1.09 |
| 2,234 | 225.2 | 10.08 | 1,913 | 297.2 | 15.54 | 1,980 | 383.8 | 19.38 |
| 2,733 | 226.6 | 8.29 | 2,745 | 303.9 | 11.07 | 3,129 | 396.3 | 12.67 |
| 29,495 | 306.7 | 1.04 | 29,486 | 432.4 | 1.47 | 31,541 | 592.4 | 1.88 |
| 16,668 | | | 14,531 | | | 13,318 | | |
| 605 | | | 523 | | | 576 | | |
| 46,768 | | | 44,540 | | | 45,435 | | |
| 1,768 | | | 2,257 | | | 1,732 | | |
| 4,745 | | | 4,614 | | | 4,452 | | |
| 6,513 | | | 6,871 | | | 6,184 | | |
| (2) | | | (1) | | | 8 | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6,511 | | | | 6,870 | | | | 6,192 | | | |
| $53,279 | | | | $51,410 | | | | $51,627 | | | |
| | | 3.16 | % | | | 3.21 | % | | | 3.08 | % |
| | $1,750.2 | 3.57 | % | | $1,776.4 | 3.77 | % | | $1,736.0 | 3.70 | % |

Table of Contents

Schedule 3 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

Schedule 3
ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

| | 2014 over 2013 | | | 2013 over 2012 | | |
|---|---|---|---|---|---|---|
| | Changes due to | | Total | Changes due to | | Total |
| (In millions) | Volume | Rate[1] | changes | Volume | Rate[1] | changes |
| INTEREST-EARNING ASSETS | | | | | | |
| Money market investments | $(1.6) | $(0.4) | $(2.0) | $2.7 | $(0.4) | $2.3 |
| Securities: | | | | | | |
| Held-to-maturity | (7.5) | 2.2 | (5.3) | (0.6) | (4.3) | (4.9) |
| Available-for-sale | 7.8 | (4.7) | 3.1 | 1.5 | (23.5) | (22.0) |
| Trading account | 1.0 | — | 1.0 | 0.3 | — | 0.3 |
| Total securities | 1.3 | (2.5) | (1.2) | 1.2 | (27.8) | (26.6) |
| Loans held for sale | (0.8) | — | (0.8) | (1.3) | 0.1 | (1.2) |
| Loans and leases[2] | 60.8 | (144.6) | (83.8) | 50.8 | (125.3) | (74.5) |
| Total interest-earning assets | 59.7 | (147.5) | (87.8) | 53.4 | (153.4) | (100.0) |
| | | | | | | |
| INTEREST-BEARING LIABILITIES | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Saving and money market | 0.4 | (3.1) | (2.7) | 2.3 | (14.9) | (12.6) |
| Time | (1.4) | (3.0) | (4.4) | (2.4) | (4.8) | (7.2) |
| Foreign | (1.8) | (0.3) | (2.1) | 0.3 | (1.7) | (1.4) |
| Total interest-bearing deposits | (2.8) | (6.4) | (9.2) | 0.2 | (21.4) | (21.2) |
| Borrowed funds: | | | | | | |
| Federal funds purchased and other short-term borrowings | — | — | — | (0.2) | (0.9) | (1.1) |
| Long-term debt | (31.4) | (31.5) | (62.9) | 3.3 | (42.6) | (39.3) |
| Total borrowed funds | (31.4) | (31.5) | (62.9) | 3.1 | (43.5) | (40.4) |
| Total interest-bearing liabilities | (34.2) | (37.9) | (72.1) | 3.3 | (64.9) | (61.6) |
| Change in taxable-equivalent net interest income | $93.9 | $(109.6) | $(15.7) | $50.1 | $(88.5) | $(38.4) |

[1] Taxable-equivalent rates used where applicable.
[2] Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.

In the analysis of interest changes due to volume and rate, changes due to the volume/rate variance are allocated to volume with the following exceptions: when volume and rate both increase, the variance is allocated proportionately to both volume and rate; when the rate increases and volume decreases, the variance is allocated to rate.

Provisions for Credit Losses

The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the allowance for loan losses at an adequate level based upon the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments at an adequate level based upon the inherent risks associated with such commitments. In determining adequate levels of the allowance and reserve, we perform periodic evaluations of the Company's various loan portfolios, the levels of actual charge-offs, credit trends, and external factors. See Note 6 of the Notes to Consolidated Financial Statements and "Credit Risk Management" on page 63 for more information on how we determine the appropriate level for the ALLL and the RULC.

Table of Contents

During the past few years, the Company has experienced a significant improvement in credit quality metrics, including lower levels of criticized and classified loans and lower realized loss rates in most loan segments. For example, at December 31, 2014, classified loans were $1.1 billion compared to $1.3 billion and $1.9 billion at December 31, 2013 and 2012, respectively. Net loan and lease charge-offs declined to $42 million in 2014 from $52 million and $155 million in 2013 and 2012, respectively. The 2014 ratio of net loan and lease charge-offs to average loans was 0.11%. See "Nonperforming Assets" on page 72 and "Allowance and Reserve for Credit Losses" on page 75 for further details.

These sustained significant improvements in portfolio-specific credit quality metrics, sustained improvement in broader economic and credit quality indicators, and changes in the portfolio mix resulting from the reductions in outstanding balances of construction and land development loans, combined with relatively modest growth in loans and commitments, have resulted in negative provisions for loan and lease losses and a reduction in the ALLL. The provision for loan losses for 2014 was $(98.1) million compared to $(87.1) million and $14.2 million for 2013 and 2012, respectively.

However, as the Company's credit quality metrics have improved to relatively strong levels, the scope for further improvement is believed to be limited. In the fourth quarter of 2014, the Company decided to increase the portion of the reserve related to qualitative and environmental factors due to recent sharp declines in energy prices causing anticipated credit losses to increase across the Company's energy portfolio. The Company continues to exercise caution with regard to the appropriate level of the allowance for loan losses, given the slow economic recovery and the decline in oil and gas prices. As a result, we currently do not expect further significant reductions in the ALLL in 2015, and we currently expect net positive provisions for the year.

During 2014, the Company recorded an $(8.6) million provision for unfunded lending commitments compared to $(17.1) million in 2013 and $4.4 million in 2012. The negative provision in 2014 was primarily driven by the same factors that caused the negative provision for loan losses described previously. The overall decrease in the provision from 2012 to 2013 resulted primarily from refinements in the process of estimating the rate at which such commitments are likely to convert into funded balances, and from continued improvements in credit quality. The decrease was partially offset by an increase in unfunded lending commitments. From quarter to quarter, the expense related to the reserve for unfunded lending commitments may be subject to sizable fluctuations due to changes in the timing and volume of loan commitments, originations, and funding, as well as changes in credit quality.

A significant contributor to net earnings in both 2013 and 2014 was the negative provision for loan and lease losses. This is primarily attributable to continued reduction in both the quantity of problem loans and the loss severity of such problem loans. Although we currently expect further improvements in credit quality, we do not expect this to be a significant source of earnings. Deterioration in economic conditions within our footprint would likely result in net additions to the allowance, such as the recent decline in oil and gas prices at Amegy in the fourth quarter of 2014, resulting in a significant change in profitability.

Noninterest Income

Noninterest income represents revenues the Company earns for products and services that have no associated interest rate or yield. For 2014, noninterest income was $508.6 million compared to $337.4 million in 2013 and $419.9 million in 2012.

Table of Contents

Schedule 4 presents a comparison of the major components of noninterest income for the past three years.

Schedule 4
NONINTEREST INCOME

| (Amounts in millions) | 2014 | Percent change | 2013 | Percent change | 2012 |
|---|---|---|---|---|---|
| Service charges and fees on deposit accounts | $174.0 | (1.3)% | $176.3 | (0.1)% | $176.4 |
| Other service charges, commissions and fees | 191.5 | 5.5 | 181.5 | 4.1 | 174.4 |
| Trust and wealth management income | 30.6 | 2.3 | 29.9 | 5.3 | 28.4 |
| Capital markets and foreign exchange | 22.4 | (20.3) | 28.1 | 4.9 | 26.8 |
| Dividends and other investment income | 43.7 | (5.2) | 46.1 | (17.4) | 55.8 |
| Loan sales and servicing income | 26.0 | (26.3) | 35.3 | (11.8) | 40.0 |
| Fair value and nonhedge derivative loss | (11.4) | 37.4 | (18.2) | 16.5 | (21.8) |
| Equity securities gains, net | 13.5 | 58.8 | 8.5 | (24.8) | 11.3 |
| Fixed income securities gains (losses), net | 10.4 | 458.6 | (2.9) | (114.8) | 19.6 |
| Impairment losses on investment securities: | | | | | |
| Impairment losses on investment securities | — | 100.0 | (188.6) | (13.4) | (166.3) |
| Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income) | — | (100.0) | 23.5 | (62.2) | 62.2 |
| Net impairment losses on investment securities | — | 100.0 | (165.1) | (58.6) | (104.1) |
| Other | 7.9 | (55.9) | 17.9 | 36.6 | 13.1 |
| Total | $508.6 | 50.7 | $337.4 | (19.6) | $419.9 |

Other service charges, commissions and fees, which are comprised of ATM fees, insurance commissions, bankcard merchant fees, debit and credit card interchange fees, cash management fees, lending commitment fees, syndication and servicing fees, and other miscellaneous fees, increased by $10 million in 2014 compared to 2013. Most of the increase can be attributed to higher interchange fees, which increased by approximately $13 million in 2014, primarily due to increased numbers of commercial card customers and increased usage of those cards. This was offset by a decrease of approximately $3 million in exchange and other fees.

In 2013, other service charges, commissions and fees increased by $7.1 million compared to 2012. Most of the increase can be attributed to higher bankcard merchant and interchange fees. In 2013, other service charges, commissions and fees included approximately $34.4 million of debit card interchange fees, compared to approximately $32.5 million in 2012.

Loan sales and servicing income decreased by $9.3 million in 2014 compared to 2013. The decrease is mainly caused by decreased income from residential mortgage loan sales in 2014, compared to 2013. In 2014, the Company and the industry experienced a reduction in the volume of new residential loan originations primarily for refinanced mortgages. In response, the Company decided to retain more newly-originated loans on its balance sheet rather than sell them, in order to fund them using some of its excess balance sheet liquidity to improve net interest income. In 2013, the Company also had lower loan sales than in 2012 as the Company originated fewer residential mortgages and retained more mortgage loans in its portfolio than in 2012.

Capital markets and foreign exchange income includes trading income, public finance fees, foreign exchange income, and other capital market related fees. In 2014, capital markets and foreign exchange income decreased by $5.7 million due primarily to a $1.8 million decrease in trading income and a $1.7 million decrease in bond origination fees from clients due to lower levels of financing activity. Capital markets and foreign exchange income remained fairly stable in 2013 when compared to 2012.

Table of Contents

Fair value and nonhedge derivative loss consists of the following:

Schedule 5
FAIR VALUE AND NONHEDGE DERIVATIVE LOSS

| (Amounts in millions) | 2014 | Percent change | 2013 | Percent change | 2012 |
|---|---|---|---|---|---|
| Nonhedge derivative income (loss) | $(0.4) | 20.0 % | $(0.5) | 66.7 % | $(1.5) |
| Total return swap | (7.9) | 63.8 | (21.8) | (0.5) | (21.7) |
| Derivative fair value credit adjustments | (3.1) | (175.6) | 4.1 | 192.9 | 1.4 |
| Total | $(11.4) | 37.4 | $(18.2) | 16.5 | $(21.8) |

Fair value and nonhedge derivative loss improved by $6.8 million in 2014 primarily as a result of the termination of the total return swap effective April 28, 2014, partially offset by losses on derivative fair value credit adjustments. Fair value and nonhedge derivative loss was $3.6 million lower in 2013 than in 2012. The decreased losses are primarily attributable to changes in fair value on interest rate swaps.

During 2014, the Company recorded $13.5 million of equity securities gains, compared to $8.5 million in 2013 and $11.3 million in 2012. The increase was driven by unrealized gains related to appreciation of the Company’s SBIC equity investments, including a particular investment that had a significant write-up in the fourth quarter. Most of the gains recognized in 2013 were generated by SBIC investments, private equity funds, and the sale of other investments, including sales of some investments that did not comply with the Volcker Rule. We expect that the resulting decline in the overall size of our equity investments portfolio may limit future earnings from this source.

The fixed income securities gain of $10.4 million in 2014 was primarily from paydowns and payoffs of the CDO securities; the net loss recorded in 2013 was primarily due to CDO sales.

The Company recognized only $27 thousand of net impairment losses on investment securities compared to $165.1 million in 2013 and $104.1 million in 2012. See “Investment Securities Portfolio” on page 52 for additional information. These impairment losses occurred in our portfolio of trust preferred CDO securities. Approximately $1.0 billion of these securities were sold or paid down in 2014, leaving a portfolio of $592 million of amortized cost as of December 31, 2014.

In 2013, other noninterest income increased by $4.8 million from 2012. The increase was primarily due to gains related to certain loans, which had been purchased from failed banks covered by FDIC loss-sharing agreements, as well as gains from branch deposit and asset sales. Other noninterest income decreased by $10.0 million in 2014, primarily as a result of a decline in the same items that led to the increase in 2013.

Noninterest Expense

Noninterest expense decreased by 2.9% to $1,665.3 million in 2014, compared to 2013. During both 2013 and 2014, the Company redeemed considerable amounts of its long-term debt and incurred debt extinguishment costs, however these costs were not as large in 2014 as they were in 2013. Other noninterest expense also decreased by approximately $19.3 million in 2014 primarily as a result of reductions in write-downs of the FDIC indemnification asset. These decreases in expense were partially offset by a 4.8% increase in salaries and employee benefits in 2014.

Table of Contents

Schedule 6 presents a comparison of the major components of noninterest expense for the past three years.

Schedule 6
NONINTEREST EXPENSE

| (Amounts in millions) | 2014 | Percent change | 2013 | Percent change | 2012 |
|---|---|---|---|---|---|
| Salaries and employee benefits | $956.4 | 4.8 % | $912.9 | 3.1 % | $885.7 |
| Occupancy, net | 115.7 | 3.0 | 112.3 | (0.5 ) | 112.9 |
| Furniture, equipment and software | 115.3 | 8.2 | 106.6 | (2.2 ) | 109.0 |
| Other real estate expense | (1.2 ) | (170.6 ) | 1.7 | (91.4 ) | 19.7 |
| Credit-related expense | 28.0 | (16.7 ) | 33.6 | (33.5 ) | 50.5 |
| Provision for unfunded lending commitments | (8.6 ) | 49.7 | (17.1 ) | (488.6 ) | 4.4 |
| Professional and legal services | 66.0 | (2.9 ) | 68.0 | 29.5 | 52.5 |
| Advertising | 25.1 | 7.3 | 23.4 | (8.9 ) | 25.7 |
| FDIC premiums | 32.2 | (15.3 ) | 38.0 | (12.4 ) | 43.4 |
| Amortization of core deposit and other intangibles | 10.9 | (24.3 ) | 14.4 | (15.3 ) | 17.0 |
| Debt extinguishment cost | 44.4 | (63.1 ) | 120.2 | — | — |
| Other | 281.1 | (6.4 ) | 300.4 | 9.2 | 275.2 |
| Total | $1,665.3 | (2.9 ) | $1,714.4 | 7.4 | $1,596.0 |

Salaries and employee benefits increased by 4.8% in 2014 compared to 2013, driven by a higher amount of salaries and bonuses. The increase in base salaries resulted, in part, from increased headcount related to the Company's major systems projects and build-out of its enterprise risk management and stress testing functions, partially offset by reductions elsewhere. Staff involved in those projects tend to be in more highly compensated roles than positions in which reductions occurred. At June 30, 2014, the Company's headcount had increased to 10,536 full-time equivalent ("FTE") employees from 10,452 at December 31, 2013. During the third quarter of 2014, the Company incurred severance costs of approximately $5 million and reduced FTE employees to 10,462 as of December 31, 2014.

Salaries and employee benefits increased by 3.1% during 2013. Most of the increase can be attributed to higher base salaries and bonuses, which were partially offset by decreased share-based compensation and lower retirement expense.

Salaries and employee benefits are shown in greater detail in Schedule 7.

Schedule 7
SALARIES AND EMPLOYEE BENEFITS

| (Dollar amounts in millions) | 2014 | Percent change | 2013 | Percent change | 2012 |
|---|---|---|---|---|---|
| Salaries and bonuses | $814.2 | 5.3 % | $773.4 | 3.7 % | $745.7 |
| Employee benefits: | | | | | |
| Employee health and insurance | 53.9 | 10.2 | 48.9 | 0.6 | 48.6 |
| Retirement | 35.0 | (10.3 ) | 39.0 | (4.4 ) | 40.8 |
| Payroll taxes and other | 53.3 | 3.3 | 51.6 | 2.0 | 50.6 |
| Total benefits | 142.2 | 1.9 | 139.5 | (0.4 ) | 140.0 |
| Total salaries and employee benefits | $956.4 | 4.8 | $912.9 | 3.1 | $885.7 |

| | | | | | |
|---|---|---|---|---|---|
| Full-time equivalent ("FTE") employees at December 31 | 10,462 | 0.1 | 10,452 | 0.8 | 10,368 |

44

Table of Contents

Furniture, equipment and software expense increased by $8.7 million in 2014, compared to 2013. The increase was due to an increase in the Company’s maintenance agreements, added licenses, and contract renewals for a variety of vendors.

Other real estate expense went from an expense of $1.7 million in 2013 to an income amount of $1.3 million in 2014. The improvement in this expense is due to the Company having less holding costs associated with these properties and recognizing gains from sales. Other real estate expense decreased 91.4% in 2013, compared to 2012. The decrease is primarily due to lower write-downs of OREO values during work-out and lower holding expenses, partially offset by decreased gains from property sales. OREO balances declined by 59.0% during the last 12 months.

Credit-related expense includes costs incurred during the foreclosure process prior to the Company obtaining title to collateral and recording an asset in OREO, as well as other out-of-pocket costs related to the management of problem loans and other assets. During 2014, credit-related expense decreased by $5.6 million primarily due to lower legal expenses, appraisal expenses and property taxes. Additionally, the levels of problem credits have decreased from 2013. The decrease in credit-related expense in 2013 is primarily attributable to lower foreclosure costs and legal expenses.

FDIC premiums decreased in 2014 by $5.8 million, or 15.3%, from 2013. In 2013, FDIC premiums decreased by 12.4%. Most of the decrease in 2014 was due to reduced assessment rates resulting from improved credit quality of the Company’s loan portfolio and improved capital adequacy. The Company does not expect the FDIC premiums to significantly change in 2015.

In both 2013 and 2014, the Company reduced long-term debt through tender offers, early calls, and maturities. The tender offers in 2014 resulted in debt extinguishment cost of $44.4 million, which is a decrease of $75.8 million from 2013. In 2013, the Company incurred $120.2 million of debt extinguishment cost due the extinguishment of several long-term debt instruments. No such costs were incurred in 2012. For more information, see Note 12 of the Notes to the Consolidated Financial Statements.

Other noninterest expense decreased by $19.3 million in 2014, compared to 2013. The decline is primarily the result of decreased write-downs of the FDIC indemnification asset. In 2013, the Company experienced an increase in write-downs of the FDIC indemnification asset compared to the prior year. The balance of FDIC-supported loans declined significantly in 2014, primarily due to paydowns and payoffs. The Company does not expect significant write-downs of the FDIC indemnification asset in 2015.

Income Taxes

The Company’s income tax expense was $222.9 million in 2014, $142.9 million in 2013, and $193.4 million in 2012. The Company’s effective income tax rates, including the effects of noncontrolling interests, were 35.9% in 2014, 35.1% in 2013, and 35.6% in 2012. The tax expense rates for all tax years were reduced by nontaxable municipal interest income and nontaxable income from certain bank-owned life insurance. In 2012, these rate reductions were mostly offset by the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock. Further, the rate reductions in 2014 were offset by the reduction in the amount of tax credits generated and the inclusion of approximately $3 million of tax-related interest expense in income tax expense on the financial statements. The interest paid related to various notices and to the closure of various federal and state audits.

As discussed in previous filings, the Company has received federal income tax credits under the U.S. Government’s Community Development Financial Institutions Fund that are recognized over a seven-year period from the year of investment. The effect of these tax credits provided an income tax benefit of $0.6 million in 2013 and $1.2 million in 2012.

The Company had a net deferred tax asset balance of approximately $224 million at December 31, 2014, compared to $304 million at December 31, 2013. The decrease in the net deferred tax asset resulted primarily from items

45

related to loan charge-offs in excess of loan loss provisions, fair value adjustments on security sales, and OREO. The net decrease in deferred tax assets was partially offset by a decrease in the deferred tax liabilities related to premises and equipment and the debt exchange from 2009.
The Company did not record any additional valuation allowance for GAAP purposes as of December 31, 2014. See Note 14 of the Notes to Consolidated Financial Statements and “Critical Accounting Policies and Significant Estimates” on page 30 for additional information.

Preferred Stock Dividends and Redemption
In 2014, the Company incurred preferred stock dividends of $71.9 million, a decrease of $23.6 million from 2013. Additionally, the benefit from preferred stock redemptions decreased by $125.7 million in 2014 compared to 2013. The decrease in the dividends and redemption benefit is due to the redemption of preferred stock in 2013. During the third quarter of 2013, the Company redeemed all of its outstanding $800 million par amount (799,467 shares) of 9.5% Series C preferred stock at 100% of the $25 per depositary share redemption amount. The redemption reduced preferred stock by the $926 million carrying value (at the time of redemption) of the Series C preferred stock. The difference from the par amount, or $125.7 million, related to the intrinsic value of the beneficial conversion feature associated with the convertible subordinated debt. The redemption of the Series C preferred stock had a positive $0.68 per share impact on the Company’s earnings per share in the third quarter of 2013. The Company did not have any preferred stock redemptions in 2014.

BUSINESS SEGMENT RESULTS
The Company manages its banking operations and prepares management reports with a primary focus on its subsidiary banks and the geographies in which they operate. As discussed in the “Executive Summary” on page 24, most of the lending and other decisions affecting customers are made at the local level. Each subsidiary bank holds its own banking charter. Those with national bank charters (Zions Bank, Amegy, NBAZ, Vectra, and TCBW) are subject to regulatory oversight by the OCC. Those with state charters (CB&T, NSB, and TCBO) are regulated by the FDIC and applicable state authorities. Effective March 31, 2015, The Commerce Bank of Oregon, originally a stand-alone affiliate of Zions Bancorporation, will operate as a division of The Commerce Bank of Washington. The operating segment identified as “Other” includes the Parent, Zions Management Services Company, certain nonbank financial service subsidiaries, TCBO, and eliminations of transactions between segments.
The accounting policies of the individual segments are the same as those of the Company. The Company allocates the cost of centrally provided services to the business segments based upon estimated or actual usage of those services. Note 21 of the Notes to Consolidated Financial Statements contains selected information from the respective balance sheets and statements of income for all segments.
During 2014, the Company’s subsidiary banks experienced improved financial performance. Common areas of financial performance experienced at various levels of the segments include:
- increased loan balances, primarily at Amegy;
- credit quality improvements across all metrics resulted in reductions of the ALLL, with the exception of energy-related exposures; and
- increased growth in customer deposit balances.

Table of Contents

Schedule 8
SELECTED SEGMENT INFORMATION

| (Amounts in millions) | Zions Bank 2014 | Zions Bank 2013 | Zions Bank 2012 | Amegy 2014 | Amegy 2013 | Amegy 2012 | CB&T 2014 | CB&T 2013 | CB&T 2012 |
|---|---|---|---|---|---|---|---|---|---|
| KEY FINANCIAL INFORMATION | | | | | | | | | |
| Total assets | $19,079 | $18,590 | $17,930 | $13,929 | $13,705 | $13,119 | $11,340 | $10,923 | $11,069 |
| Total deposits | 16,633 | 16,257 | 15,575 | 11,447 | 11,198 | 10,706 | 9,707 | 9,327 | 9,483 |
| Net income (loss) applicable to controlling interests | 220.4 | 224.6 | 189.3 | 93.9 | 130.5 | 166.7 | 101.3 | 140.1 | 127.1 |
| Net interest margin | 3.40 % | 3.55 % | 4.04 % | 3.09 % | 3.23 % | 3.44 % | 4.05 % | 4.73 % | 4.71 % |
| RISK-BASED CAPITAL RATIOS | | | | | | | | | |
| Tier 1 leverage | 10.52 % | 10.02 % | 10.58 % | 11.79 % | 12.09 % | 12.03 % | 10.78 % | 10.75 % | 10.37 % |
| Tier 1 risk-based capital | 14.07 % | 13.32 % | 12.96 % | 12.83 % | 13.61 % | 13.91 % | 13.00 % | 12.40 % | 12.92 % |
| Total risk-based capital | 15.27 % | 14.52 % | 14.17 % | 14.09 % | 14.86 % | 15.17 % | 14.18 % | 13.65 % | 14.18 % |
| CREDIT QUALITY | | | | | | | | | |
| Provision for loan losses | $(58.5 ) | $(40.5 ) | $88.3 | $32.2 | $4.2 | $(63.9 ) | $(20.1 ) | $(16.7 ) | $(7.9 ) |
| Net loan and lease charge-offs | 13.0 | 19.7 | 74.4 | 22.8 | 23.8 | 4.6 | 5.5 | (4.1 ) | 19.8 |
| Ratio of net charge-offs to average loans and leases | 0.11 % | 0.16 % | 0.60 % | 0.24 % | 0.27 % | 0.06 % | 0.06 % | (0.05 )% | 0.24 % |
| Allowance for loan losses | $219 | $290 | $350 | $154 | $144 | $164 | $96 | $123 | $146 |
| Ratio of allowance for loan losses to net loans and leases, at year-end | 1.78 % | 2.37 % | 2.80 % | 1.53 % | 1.57 % | 1.94 % | 1.13 % | 1.43 % | 1.77 % |
| Nonperforming lending-related assets | $82.6 | $143.7 | $259.0 | $78.8 | $79.9 | $138.8 | $88.7 | $109.9 | $150.7 |
| Ratio of nonperforming lending-related assets to net loans and leases and | 0.67 % | 1.16 % | 2.05 % | 0.78 % | 0.86 % | 1.63 % | 1.04 % | 1.28 % | 1.82 % |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| other real estate owned | | | | | | | | | |
| Accruing loans past due 90 days or more | $2.2 | $2.0 | $2.6 | $1.7 | $0.3 | $3.4 | $24.7 | $36.9 | $54.2 |
| Ratio of accruing loan past due 90 days or more to net loans and leases | 0.02 % | 0.02 % | 0.02 % | 0.02 % | — % | 0.04 % | 0.29 % | 0.43 % | 0.66 % |

47

Table of Contents

| (Amounts in millions) | NBAZ 2014 | 2013 | 2012 | NSB 2014 | 2013 | 2012 | Vectra 2014 | 2013 | 2012 | TCBW 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KEY FINANCIAL INFORMATION | | | | | | | | | | | | |
| Total assets | $4,771 | $4,579 | $4,575 | $4,096 | $3,980 | $4,061 | $2,999 | $2,571 | $2,511 | $892 | $943 | $961 |
| Total deposits | 4,133 | 3,931 | 3,874 | 3,690 | 3,590 | 3,604 | 2,591 | 2,178 | 2,164 | 752 | 793 | 791 |
| Net income (loss) applicable to controlling interests | 46.5 | 43.9 | 30.9 | 22.3 | 18.8 | 21.8 | 21.4 | 21.4 | 18.9 | 1.2 | 7.7 | 7.9 |
| Net interest margin | 3.67 % | 3.76 % | 4.00 % | 2.95 % | 2.99 % | 3.19 % | 3.99 % | 4.26 % | 4.82 % | 3.39 % | 3.24 % | 3.25 |
| RISK-BASED CAPITAL RATIOS | | | | | | | | | | | | |
| Tier 1 leverage | 11.84 % | 11.54 % | 12.12 % | 9.02 % | 8.86 % | 10.30 % | 11.77 % | 12.02 % | 11.52 % | 10.31 % | 10.23 % | 9.39 |
| Tier 1 risk-based capital | 13.98 % | 13.33 % | 14.53 % | 15.51 % | 15.10 % | 18.94 % | 13.76 % | 13.02 % | 12.32 % | 11.79 % | 12.90 % | 12.3 |
| Total risk-based capital | 15.24 % | 14.59 % | 15.79 % | 16.78 % | 16.38 % | 20.22 % | 15.01 % | 14.28 % | 13.58 % | 13.04 % | 14.15 % | 13.5 |
| CREDIT QUALITY | | | | | | | | | | | | |
| Provision for loan losses | $(21.5 ) | $(15.0 ) | $(0.6 ) | $(20.9 ) | $(12.0 ) | $(9.6 ) | $(8.4 ) | $(4.9 ) | $7.0 | $(0.6) | $(1.8) | $0.4 |
| Net loan and lease charge-offs | 0.4 | 6.2 | 14.0 | 0.2 | 3.1 | 29.8 | 0.9 | 2.5 | 9.1 | (0.7 ) | 0.7 | 2.7 |
| Ratio of net charge-offs to average loans and leases | 0.01 % | 0.17 % | 0.41 % | 0.01 % | 0.14 % | 1.38 % | 0.04 % | 0.12 % | 0.45 % | (0.11 )% | 0.12 % | 0.48 |
| Allowance for loan losses | $40 | $62 | $83 | $54 | $75 | $90 | $32 | $42 | $49 | $9 | $9 | $12 |
| Ratio of allowance for loan losses to net loans and leases, at year-end | 1.07 % | 1.67 % | 2.31 % | 2.22 % | 3.25 % | 4.30 % | 1.39 % | 1.83 % | 2.30 % | 1.40 % | 1.46 % | 2.06 |
| Nonperforming lending-related assets | $28.8 | $49.1 | $70.9 | $21.2 | $29.5 | $73.1 | $19.1 | $34.4 | $42.3 | $6.4 | $5.4 | $10. |
| Ratio of nonperforming lending-related | 0.77 % | 1.31 % | 1.94 % | 0.88 % | 1.28 % | 3.47 % | 0.82 % | 1.50 % | 1.93 % | 0.97 % | 0.85 % | 1.88 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| assets to net loans and leases and other real estate owned | | | | | | | | | | | | |
| Accruing loans past due 90 days or more | $0.1 | $0.1 | $0.6 | $0.5 | $0.7 | $0.9 | $— | $0.3 | $— | $— | $— | $— |
| Ratio of accruing loans past due 90 days or more to net loans and leases | — % | — % | 0.02 % | 0.02 % | 0.03 % | 0.04 % | — % | 0.01 % | — % | — % | — % | — |

The above amounts do not include intercompany eliminations.

Zions First National Bank

Zions Bank is headquartered in Salt Lake City, Utah and is primarily responsible for conducting the Company’s operations in Utah and Idaho. Zions Bank is the 2nd largest full-service commercial bank in Utah and the 4th largest in Idaho, as measured by domestic deposits in these states. Zions Bank conducts the largest portion of the Company’s Capital Markets operations, which include Zions Direct, Inc., fixed income securities trading, correspondent banking, public finance, and trust and investment advisory services.

Within Zions Bank, the National Real Estate Group is a wholesale business that generally sources loans from other community banks across the country. Such loans are generally low loan-to-value owner-occupied loans, but also include non-owner occupied term commercial real estate loans.

Zions Bank net income decreased by $4.2 million, or 1.9%, during 2014. The loan portfolio decreased by $8 million during 2014, which consisted of a $371 million decline in commercial real estate loans, partially offset by a $129 million increase in consumer loans and a $234 million increase in commercial loans. The decline in commercial real estate loans was mainly the result of a reduction in the National Real Estate construction and term loan portfolios. Nonperforming lending-related assets decreased 42.5% from the prior year due to extensive efforts to work out problem loans and to sell OREO properties. Additionally, the higher credit quality of loans originated since the beginning of the financial crisis also contributed to the improved credit quality of the portfolio. Total deposits at

December 31, 2014 were 2.3% higher than at December 31, 2013. The net interest margin in 2014 decreased to 3.40% from 3.55% in 2013.

Amegy Corporation
Amegy is headquartered in Houston, Texas and operates Amegy Bank, Amegy Mortgage Company, Amegy Investments, and Amegy Insurance Agency. Amegy Bank is the 7th largest full-service commercial bank in Texas as measured by domestic deposits in the state.

Amegy net income decreased by $36.6 million, or 28.0%, in 2014. The decline in net income is mainly due to a $28.0 million increase in the provision for loan losses, primarily for its energy-related loans. See Schedule 22 and discussion of the Company's energy-related exposure on page 65 for more information. Over the past two years, Amegy has been able to achieve significant loan portfolio growth; $859 million in 2014 and $767 million in 2013. During 2014, commercial loans increased by $259 million, consumer loans by $360 million, and commercial real estate loans increased by $240 million. The credit quality of Amegy's loan portfolio improved during 2014, and the ratio of allowance for loan losses to net loans and leases decreased to 1.53% at December 31, 2014 from 1.57% a year earlier. During 2014, nonperforming lending-related assets decreased by 1.4%. Deposits increased by 2.2% from 2013 to 2014. The net interest margin for Amegy in 2014 decreased to 3.09% from 3.23% in 2013.

California Bank & Trust
California Bank & Trust is the 16th largest full-service commercial bank in California as measured by domestic deposits. Its core business is built on relationship banking by providing commercial, real estate and consumer lending, depository services, international banking, cash management, and community development services.

CB&T's net income decreased by $38.8 million, or 27.7%, in 2014 due primarily to losses on sales of CDOs in 2014, a one-time gain on sale of branches in 2013 and net interest margin compression, offset partially by a decrease in noninterest expenses. CB&T's loan portfolio decreased by $44 million in 2014 from the prior year. During 2014, consumer loans grew by $32 million, while commercial real estate loans declined by $74 million. The credit quality of CB&T's loan portfolio continues to improve, and the ratio of allowance for loan losses to net loans and leases declined to 1.13% at December 31, 2014 from 1.43% a year earlier. Deposits at December 31, 2014 were $380 million, or 4.07%, higher than at December 31, 2013. CB&T's net interest margin for 2014 decreased to 4.05% from 4.73% in 2013.

National Bank of Arizona
National Bank of Arizona is the 4th largest full-service commercial bank in Arizona as measured by domestic deposits in the state.

NBAZ had net income of $46.5 million in 2014, a $2.6 million, or 5.9% increase from 2013. During 2014, the loan portfolio increased by $26 million, including a $56 million increase in commercial loans, partially offset by a $30 million decline in commercial real estate loans. The credit quality of NBAZ's loan portfolio continues to improve, and the ratio of allowance for loan losses to net loans and leases declined to 1.07% at December 31, 2014 from 1.67% a year earlier. Deposits at December 31, 2014 were 5.14% higher than a year earlier. The net interest margin for 2014 was 3.67% compared to 3.76% in 2013.

Nevada State Bank
Nevada State Bank is the 5th largest full-service commercial bank in Nevada as measured by domestic deposits in the state. NSB focuses on serving small and mid-sized businesses as well as retail consumers, with an emphasis in relationship banking.

In 2014, NSB had net income of $22.3 million, compared to $18.8 million in 2013. NSB's loans grew by $125 million during 2014, including a $136 million increase in consumer loans, offset by a $14 million decline in commercial real estate loans. The credit quality of NSB's loan portfolio improved significantly, and the ratio of allowance for loan losses to net loans and leases was 2.22% and 3.25% at December 31, 2014 and 2013, respectively. Net loan and lease charge-offs in 2014 declined to $0.2 million from $3.1 million in 2013, and nonperforming lending-related assets declined 28.1%. Deposits at December 31, 2014 were 2.79% higher than a year earlier. The net interest margin for NSB in 2014 decreased slightly to 2.95% from 2.99% in 2013.

Vectra Bank Colorado

Vectra Bank Colorado, N.A. is the 7th largest full-service commercial bank in Colorado as measured by domestic deposits in the state.

In 2014, Vectra's net income remained unchanged from $21.4 million in 2013. During 2014, total loans increased by $42 million, including a $61 million increase in consumer loans, a $40 million increase in commercial loans, offset by a $59 million decrease in commercial real estate loans. The credit quality of Vectra's loan portfolio continued to improve, and the ratio of allowance for loan losses to net loans and leases decreased to 1.39% at December 31, 2014 from 1.83% a year earlier. Deposits at December 31, 2014 were 18.97% higher than a year earlier. The net interest margin for Vectra in 2014 decreased to 3.99% from 4.26% in 2013.

The Commerce Bank of Washington

The Commerce Bank of Washington is headquartered in Seattle, Washington, and operates out of a single office located in the Seattle central business district. Its business strategy focuses on serving the financial needs of commercial businesses, including professional services firms. TCBW has been successful in serving the greater Seattle/Puget Sound region without requiring extensive investments in a traditional branch network. It has been innovative in effectively utilizing couriers, bank by mail, remote deposit image capture, and other technologies.

TCBW net income for 2014 was $1.2 million compared to $7.7 million in 2013. The loan portfolio increased by $32 million, including a $27 million increase in commercial real estate loans, and a $5 million increase in consumer loans. Nonperforming lending-related assets increased $1.0 million, and the ratio of allowance for loan losses slightly decreased from 1.46% to 1.40% in 2014. Deposits at December 31, 2014 were 5.17% lower than a year earlier. The net interest margin for TCBW increased from 3.24% in 2013 to 3.39% in 2014.

TCBW's results were adversely affected by an $11 million increase in litigation reserves relating to claims brought against TCBW in connection with a customer, Frederick Berg, and a number of associated investment funds using the "Meridian" brand name. These claims were settled in February 2015, as discussed in further detail in Note 17 of the Notes to Consolidated Financial Statements.

Other Segment

Operating components in the "Other" segment, as shown in Notes 21 and 23 of the Notes to Consolidated Financial Statements, relate primarily to the Parent, ZMSC and eliminations of transactions between segments. The major components at the Parent include net interest income, which includes interest expense on other borrowed funds, and net impairment losses on investment securities.

Significant changes in 2014 compared to 2013 include (1) a $68 million decrease in noninterest expense primarily due to repurchases, tender offers and redemptions of long-term debt, and (2) a $154 million decrease in net impairment losses on investment securities, as discussed in "Investment Securities Portfolio" on page 52. Additionally, sales of $808 million carrying value of CDO securities were done in the Other segment. Significant changes in 2013 compared to 2012 include (1) a $125 million increase in noninterest expense, and (2) a $53.7 million increase in net impairment losses on investment securities.

Table of Contents

## BALANCE SHEET ANALYSIS

### Interest-Earning Assets

Interest-earning assets are those assets that have interest rates or yields associated with them. One of our goals is to maintain a high level of interest-earning assets relative to total assets while keeping nonearning assets at a minimum. Interest-earning assets consist of money market investments, securities, loans, and leases.

Schedule 2, which we referred to in our discussion of net interest income, includes the average balances of the Company's interest earning assets, the amount of revenue generated by them, and their respective yields. Another goal is to maintain a higher-yielding mix of interest-earning assets, such as loans, relative to lower-yielding assets, such as money market investments or securities, while maintaining adequate levels of highly liquid assets. The current period of slow economic growth accompanied by the moderate loan demand experienced in recent quarters has made it difficult to achieve these goals. In 2014, the Company began to incrementally deploy some of its excess cash into short-to-medium duration pass-through agency securities that qualify as HQLA under new LCR and liquidity stress testing regulations. As a result of this, the Company increased its HQLA securities by approximately $1.0 billion par amount and is continuing these purchases in 2015, which will generate a higher return than that of money market investments.

Average interest-earning assets were $52.0 billion in 2014 compared to $51.0 billion in the previous year. Average interest-earning assets as a percentage of total average assets were 93.1% in 2014 and 92.8% in 2013.

Average loans were $39.5 billion in 2014 and $38.1 billion in 2013. Average loans as a percentage of total average assets were 70.7% in 2014 compared to 69.4% in 2013.

Average money market investments, consisting of interest-bearing deposits and federal funds sold and security resell agreements, decreased by 7.2% to $8.2 billion in 2014 compared to $8.8 billion in 2013. Average securities increased by 6.2% from 2013. Average total deposits increased by 2.1% while average total loans increased by 3.7% in 2014 when compared to 2013. The decrease in average money market investments in 2014 was due in part to excess cash being deployed to fund the loan growth that was stronger than deposit growth, in addition to security purchases and redemptions of long-term debt.

Chart 5. OUTSTANDING LOANS AND DEPOSITS
(at December 31)

Table of Contents

Investment Securities Portfolio

We invest in securities to generate revenues for the Company; portions of the portfolio are also available as a source of liquidity. Refer to the “Liquidity Risk Management” section on page 81 of the MD&A for additional information on management of liquidity and funding management and compliance with Basel III and LCR requirements. Schedule 9 presents a profile of the Company’s investment securities portfolio. The amortized cost amounts represent the Company’s original cost of the investments, adjusted for related accumulated amortization or accretion of any yield adjustments, and for impairment losses, including credit-related impairment. The estimated fair value measurement levels and methodology are discussed in detail in Note 20 of the Notes to Consolidated Financial Statements.

Schedule 9

INVESTMENT SECURITIES PORTFOLIO

| | December 31, 2014 | | | December 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|---|---|---|
| (In millions) | Amortized cost | Carrying value | Estimated fair value | Amortized cost | Carrying value | Estimated fair value | Amortized cost | Carrying value | Estimated fair value |
| Held-to-maturity | | | | | | | | | |
| Municipal securities | $608 | $608 | $620 | $551 | $551 | $558 | $525 | $525 | $537 |
| Asset-backed securities: | | | | | | | | | |
| Trust preferred securities – banks and insurance | 79 | 39 | 57 | 80 | 38 | 51 | 255 | 213 | 126 |
| Other | — | — | — | — | — | — | 22 | 19 | 12 |
| | 687 | 647 | 677 | 631 | 589 | 609 | 802 | 757 | 675 |
| Available-for-sale | | | | | | | | | |
| U.S. Treasury securities | | | | 1 | 2 | 2 | 104 | 105 | 105 |
| U.S. Government agencies and corporations: | | | | | | | | | |
| Agency securities | 607 | 601 | 601 | 518 | 519 | 519 | 109 | 113 | 113 |
| Agency guaranteed mortgage-backed securities | 935 | 945 | 945 | 309 | 317 | 317 | 407 | 425 | 425 |
| Small Business Administration loan-backed securities | 1,544 | 1,552 | 1,552 | 1,203 | 1,221 | 1,221 | 1,124 | 1,153 | 1,153 |
| Municipal securities | 189 | 189 | 189 | 65 | 66 | 66 | 75 | 76 | 76 |
| Asset-backed securities: | | | | | | | | | |
| Trust preferred securities – banks and insurance | 538 | 415 | 415 | 1,508 | 1,239 | 1,239 | 1,596 | 949 | 949 |
| Trust preferred securities – real estate investment trusts | — | — | — | 23 | 23 | 23 | 41 | 16 | 16 |
| Auction rate securities | 5 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| Other | 1 | 1 | 1 | 28 | 28 | 28 | 26 | 19 | 19 |
| | 3,819 | 3,708 | 3,708 | 3,662 | 3,422 | 3,422 | 3,489 | 2,863 | 2,863 |
| Mutual funds and other | 137 | 136 | 136 | 287 | 280 | 280 | 228 | 228 | 228 |
| | 3,956 | 3,844 | 3,844 | 3,949 | 3,702 | 3,702 | 3,717 | 3,091 | 3,091 |
| Total | $4,643 | $4,491 | $4,521 | $4,580 | $4,291 | $4,311 | $4,519 | $3,848 | $3,766 |

The amortized cost of investment securities on December 31, 2014 increased by 1.4% from the balances on December 31, 2013 primarily due to increases in agency guaranteed mortgage-backed securities, Small Business Administration loan-backed securities, and municipal securities, partially offset by decreased investments in trust preferred and other asset-backed securities, and mutual funds. In 2013, the amortized cost of investment securities also increased by 1.4%, primarily due to increases in agency securities, Small Business Administration loan-backed securities, and mutual funds, partially offset by decreased investments in trust preferred and other asset-backed securities, U.S. Treasury securities, and agency guaranteed mortgage-backed securities.

Table of Contents

The CDO securities sold during 2014 consisted of the following:

Schedule 10
CDO SECURITIES SOLD IN 2014

| (Amounts in millions) | Par value | Amortized cost | Carrying value | Sales proceeds | Gain (loss) realized |
|---|---|---|---|---|---|
| Performing CDOs | | | | | |
| Predominantly bank CDOs | $160 | $128 | $119 | $123 | $(5) |
| Insurance CDOs | 398 | 381 | 316 | 341 | (40) |
| Other CDOs | 43 | 26 | 26 | 28 | 2 |
| Total performing CDOs | 601 | 535 | 461 | 492 | (43) |
| | | | | | |
| Nonperforming CDOs [1] | | | | | |
| Credit impairment prior to last 12 months | 507 | 275 | 257 | 297 | 22 |
| Credit impairment during last 12 months | 258 | 103 | 90 | 119 | 16 |
| Total nonperforming CDOs | 765 | 378 | 347 | 416 | 38 |
| Total | $1,366 | $913 | $808 | $908 | $(5) |

[1]Defined as either deferring current interest (“PIKing”) or OTTI.

During 2014, the Company realized $5 million of losses on sales of CDO securities. The losses represent the difference between the amortized cost and the sales proceeds at the time of sale. Depending upon the sales price, previously unrealized holding gains/losses recognized in OCI may be reclassified to earnings or act to reduce remaining unrealized gains/losses in the portfolio. Sales and payoffs eliminated the Company’s holdings of CDOs comprised of solely insurance companies during 2014. At December 31, 2014, the CDO portfolio consisted of CDOs backed primarily by bank collateral.

As of December 31, 2014, 2.7% of the $3.8 billion fair value of available-for-sale (“AFS”) securities portfolio was valued at Level 1, 86.8% was valued at Level 2, and 10.5% was valued at Level 3 under the GAAP fair value accounting valuation hierarchy. At December 31, 2013, 7.0% of the $3.7 billion fair value of AFS securities portfolio was valued at Level 1, 57.7% was valued at Level 2, and 35.3% was valued at Level 3.

The amortized cost of AFS investment securities valued at Level 3 was $522 million at December 31, 2014 and the fair value of these securities was $402 million. The securities valued at Level 3 were comprised of primarily bank trust preferred CDOs and municipal securities. For these Level 3 securities, the net pretax unrealized loss recognized in OCI at December 31, 2014 was $120 million. As of December 31, 2014, we believe we will receive on settlement or maturity at least the amortized cost amounts of the Level 3 AFS securities. This expectation applies to both those securities for which OTTI has been recognized and those for which no OTTI has been recognized.

Estimated fair value determined under ASC 820 precludes the use of “blockage factors” or liquidity adjustments due to the quantity of securities held by the Company. All of the Company’s CDO securities are valued under Level 3. The Company’s ability to sell in a short period of time a substantial portion of its CDO securities at the indicated estimated fair values is highly dependent upon then current market conditions. The market for such securities, which showed substantial improvement during 2014, remains difficult to predict. The Company may execute additional CDO sales in future quarters which may result in net losses. Please refer to Notes 5 and 20 of the Notes to Consolidated Financial Statements for more information.

Table of Contents

Schedule 11 presents the Company's CDOs according to performing tranches without credit impairment and nonperforming tranches. These CDOs are the large majority of our asset-backed securities and consist of both HTM and AFS securities.

Schedule 11
CDOs BY PERFORMANCE STATUS

| | December 31, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | No. of tranches | Par amount | Amortized cost | Carrying value | Net unrealized losses recognized in AOCI [1] | Weighted average discount rate [2] | % of carrying value to par December 31, 2014 | 2013 | Change |
| Performing CDOs | | | | | | | | | |
| Predominantly bank CDOs | 17 | $443 | $420 | $325 | $ (95 ) | 3.6 % | 73 % | 73 % | — % |
| Insurance-only CDOs | — | — | — | — | — | — | — | 80 | (80 ) |
| Other CDOs | — | — | — | — | — | — | — | 60 | (60 ) |
| Total performing CDOs | 17 | 443 | 420 | 325 | (95 ) | 3.6 | 73 | 75 | (2 ) |
| Nonperforming CDOs [3] | | | | | | | | | |
| CDOs credit impaired prior to last 12 months | 12 | 279 | 172 | 107 | (65 ) | 4.9 | 38 | 46 | (8 ) |
| CDOs credit impaired during last 12 months | 1 | 1 | — | — | — | 3.4 | — | 33 | (33 ) |
| Total nonperforming CDOs | 13 | 280 | 172 | 107 | (65 ) | 4.9 | 38 | 41 | (3 ) |
| Total CDOs | 30 | $723 | $592 | $432 | $ (160 ) | 4.0 | 60 | 59 | 1 |

| | December 31, 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | No. of tranches | Par amount | Amortized cost | Carrying value | Net unrealized losses recognized in AOCI [1] | Weighted average discount rate [2] | % of carrying value to par December 31, 2013 | 2012 | Change |
| Performing CDOs | | | | | | | | | |
| Predominantly bank CDOs | 23 | $687 | $617 | $499 | $ (118 ) | 5.6 % | 73 % | 66 % | 7 % |
| Insurance-only CDOs | 22 | 433 | 413 | 346 | (67 ) | 4.9 | 80 | 72 | 8 |
| Other CDOs | 3 | 43 | 26 | 26 | — | 10.6 | 60 | 70 | (10 ) |
| Total performing CDOs | 48 | 1,163 | 1,056 | 871 | (185 ) | 5.5 | 75 | 68 | 7 |
| Nonperforming CDOs [3] | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| CDOs credit impaired prior to last 12 months | 32 | 614 | 369 | 285 | (84 ) | 7.0 | 46 | 30 | 16 |
| CDOs credit impaired during last 12 months | 23 | 448 | 187 | 147 | (40 ) | 6.5 | 33 | 25 | 8 |
| Total nonperforming CDOs | 55 | 1,062 | 556 | 432 | (124 ) | 6.8 | 41 | 26 | 15 |
| Total CDOs | 103 | $2,225 | $1,612 | $1,303 | $ (309 ) | 6.1 | 59 | 49 | 10 |

[1] Accumulated other comprehensive income, amounts presented are pretax.

[2] Margin over related LIBOR index.

[3] Defined as either deferring current interest ("PIKing") or OTTI; the majority are predominantly bank CDOs.

Table of Contents

We have included selected credit rating information for certain of the investment securities in Schedules 12 and 13 because this information is one indication of the degree of credit risk to which we are exposed, and significant declines in ratings for our investment portfolio could indicate an increased level of risk for the Company.
As shown in Schedule 12, CDO securities representing 92.2% of that portfolio's fair value at December 31, 2014 were upgraded by one or more NRSROs during 2014. The Company attributes these upgrades to improvements in over-collateralization ratios and de-leveraging combined with certain less severe rating agency assumptions and methodologies.

Schedule 12
BANK TRUST PREFERRED CDOs

| | December 31, 2014 | | | |
|---|---|---|---|---|
| (Dollar amounts in millions) | No. of securities | Par amount | Amortized cost | Fair value |
| Year-to-date rating changes [1] | | | | |
| Upgrade | 24 | $587 | $542 | $416 |
| No change | 6 | 136 | 50 | 35 |
| Downgrade | — | — | — | — |
| | 30 | $723 | $592 | $451 |

[1] By any NRSRO.

Bank Collateral Deferral Experience
The Company's loss and recovery experience on defaults as of December 31, 2014 (and our Level 3 modeling assumption) is essentially a 100% loss on defaulted bank collateral in CDOs, although we have, to date, received several, generally small, recoveries on a few defaults. Securities sales during 2014 resulted in the Company reducing its exposure to some unresolved deferring banks. At December 31, 2014, the Company had exposure to 43 deferring issuers of which 32 were in their initial five-year deferral period. We continue to expect that future losses on these deferrals may result from actions other than bank failures – primarily holding company bankruptcies and debt restructurings.

A significant number of previous deferrals have resumed interest payments; 157 issuing banks have either come current and resumed interest payments on their trust preferred securities or have announced they intend to do so at the next payment date. Banks may come current on their trust preferred securities for one or more quarters and then re-defer. Such re-deferral has occurred in 11 of the 43 banks that are currently deferring. Further information on the Company's valuation process is detailed in Note 20 of the Notes to Consolidated Financial Statements.

Schedule 13 provides additional information on the below-investment-grade rated bank trust preferred CDOs' portions of the AFS and HTM portfolios. The schedules reflect data and assumptions that are included in the calculations of fair value and OTTI. The schedules utilize the lowest rating assigned by any rating agency to identify those securities below investment grade. The schedules segment the securities by whether or not they have been determined to have credit-related OTTI, and by original ratings level to provide granularity on the seniority level of the securities and the distribution of unrealized losses.

Table of Contents

Schedule 13
BANK TRUST PREFERRED CDO VALUES CURRENTLY RATED BELOW-INVESTMENT-GRADE –SORTED BY WHETHER CREDIT RELATED OTTI HAS BEEN TAKEN AND BY ORIGINAL RATINGS
At December 31, 2014

| | | | Total | | | | Credit OTTI loss | | Valuation losses [1] |
|---|---|---|---|---|---|---|---|---|---|
| (Dollar amounts in millions) | Number of securities | % of portfolio | Par value | Amortized cost | Estimated fair value | Unrealized gain (loss) | Current year | Life-to-date | Life-to-date |
| Original ratings of securities, no credit OTTI recognized: | | | | | | | | | |
| Original AAA | 12 | 53.5 % | $328 | $ 309 | $239 | $(70) | $— | $— | $(31) |
| Original A | 1 | 1.1 | 7 | 7 | 6 | (1) | — | — | — |
| Total Non-OTTI | | 54.6 | 335 | 316 | 245 | (71) | — | — | (31) |
| Original ratings of securities, credit OTTI recognized: | | | | | | | | | |
| Original AAA | 1 | 8.1 | 50 | | | | | | |