FIRST INTERSTATE BANCSYSTEM INC
Form POS AM
September 22, 2017

As filed with the Securities and Exchange Commission on September 22, 2017
Registration No. 333-188865

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 TO
Form S-3
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

First Interstate BancSystem, Inc.
(Exact name of registrant as specified in its charter)

Montana	81-0331430
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

401 North 31st Street
Billings, Montana 59116
(406) 255-5390
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)
Marcy D. Mutch
Executive Vice President and Chief Financial Officer
401 North 31st Street
Billings, Montana 59116
(406) 255-5390
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:
Scott A. Berdan, Esq.
Gregory E. Lindley, Esq.
Holland & Hart LLP
222 South Main Street, Suite 2200
Salt Lake City, UT 84101
(801) 799-5800

Approximate date of commencement of proposed sale to the public: Not applicable

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. o

DEREGISTRATION OF SECURITIES

This Post-Effective Amendment No. 1 relates to the Registration Statement on Form S-3 (File No. 333-188865) of First Interstate BancSystem, Inc. (the "Registrant"), which was filed with the Securities and Exchange Commission on May 24, 2013 and became effective on September 13, 2013 (the "Registration Statement"). The Registration Statement registered shares of the Company's Class A common stock with an aggregate offering price not more than $160,000,000.

In accordance with the Registrant's undertakings in the Registration Statement, the Registrant hereby deregisters by means of this post-effective amendment any securities remaining unsold under the Registration Statement as of the date hereof and withdraws the Registration Statement.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Billings, State of Montana, on September 22, 2017

FIRST INTERSTATE BANCSYSTEM, INC.

By: /s/ MARCY D. MUTCH
Marcy D. Mutch
Executive Vice President and Chief Financial Officer

are documented by the CSA and controlled under the Company's general credit policies. They are typically monitored on a daily basis. A valuation haircut policy reflects the fact that collateral may fall in value between the date the collateral is called and the date of liquidation or enforcement. In practice, all of the Company's collateral held as credit risk mitigation under a CSA is cash.
We offer interest rate swaps to our customers to assist them in managing their exposure to changing interest rates. Upon issuance, all of these customer swaps are immediately offset through matching derivative contracts, such that the Company minimizes its interest rate risk exposure resulting from such transactions. Most of these customers do not have the capability for centralized clearing. Therefore we manage the credit risk through loan underwriting which includes a credit risk exposure formula for the swap, the same collateral and guarantee protection applicable to the loan and credit approvals, limits, and monitoring procedures. Fee income from customer swaps is included in other service charges, commissions and fees. No significant losses on derivative instruments have occurred as a result of

counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate. See Note 6 for further discussion of our underwriting, collateral requirements, and other procedures used to address credit risk.

Our derivative contracts require us to pledge collateral for derivatives that are in a net liability position at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At September 30, 2015, the fair value of our derivative liabilities was $86.4 million, for which we were required to pledge cash collateral of approximately $61.0 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor’s or Moody’s at September 30, 2015, the additional amount of

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collateral we could be required to pledge is approximately $1.9 million. As a result of the Dodd-Frank Act, all newly eligible derivatives entered into are cleared through a central clearinghouse. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if our credit rating were downgraded.

Derivative Amounts

Selected information with respect to notional amounts and recorded gross fair values at September 30, 2015 and December 31, 2014, and the related gain (loss) of derivative instruments for the three and nine months ended September 30, 2015 and 2014 is summarized as follows:

(In thousands)	September 30, 2015 Notional amount	Fair value Other assets	Other liabilities	December 31, 2014 Notional amount	Fair value Other assets	Other liabilities
Derivatives designated as hedging instruments						
Asset derivatives						
Cash flow hedges:						
Interest rate swaps	$1,387,500	$17,367	$—	$275,000	$1,508	$123
Total derivatives designated as hedging instruments	1,387,500	17,367	—	275,000	1,508	123
Derivatives not designated as hedging instruments						
Interest rate swaps for customers [2]	3,237,694	66,805	69,991	2,770,052	48,287	50,669
Foreign exchange	340,818	18,947	16,372	443,721	16,625	15,272
Total derivatives not designated as hedging instruments	3,578,512	85,752	86,363	3,213,773	64,912	65,941
Total derivatives	$4,966,012	$103,119	$86,363	$3,488,773	$66,420	$66,064

(In thousands)	Three Months Ended September 30, 2015 Amount of derivative gain (loss) recognized/reclassified OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	Nine Months Ended September 30, 2015 OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$17,343	$ 2,957			$21,172	$ 5,191		
	17,343	2,957			21,172	5,191		
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$431				$1,364
Total derivatives designated as hedging instruments	17,343	2,957		431	21,172	5,191		1,364
Derivatives not designated as hedging instruments								

Interest rate swaps for customers [2]			$ 939				$ 5,329	
Futures contracts			1				2	
Foreign exchange			2,506				6,938	
Total derivatives not designated as hedging instruments			3,446				12,269	
Total derivatives	$ 17,343	$ 2,957	$ 3,446	$ 431	$ 21,172	$ 5,191	$ 12,269	$ 1,364

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(In thousands)	Three Months Ended September 30, 2014				Nine Months Ended September 30, 2014			
	Amount of derivative gain (loss) recognized/reclassified							
	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense	OCI	Reclassified from AOCI to interest income [3]	Noninterest income (expense)	Offset to interest expense
Derivatives designated as hedging instruments								
Asset derivatives								
Cash flow hedges [1]:								
Interest rate swaps	$(845)	$ 770			$1,681	$ 1,698		
	(845)	770			1,681	1,698		
Liability derivatives								
Fair value hedges:								
Terminated swaps on long-term debt				$496				$1,822
Total derivatives designated as hedging instruments	(845)	770		496	1,681	1,698		1,822
Derivatives not designated as hedging instruments								
Interest rate swaps			$ 1				$ 355	
Interest rate swaps for customers [2]			1,419				493	
Foreign exchange			2,242				5,951	
Total return swap			—				(7,894)	
Total derivatives not designated as hedging instruments			3,662				(1,095)	
Total derivatives	$(845)	$ 770	$ 3,662	$496	$1,681	$ 1,698	$ (1,095)	$1,822

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

1 Amounts recognized in OCI and reclassified from AOCI represent the effective portion of the derivative gain.

2 Notional amounts include both the customer swaps and the offsetting derivative contracts.

3 Amounts for the three and nine months ended September 30, of $3.0 million and $5.2 million in 2015, and $0.8 million and $1.7 million in 2014, respectively, are the amounts of reclassification to earnings from AOCI presented in Note 8.

At September 30, 2015, the fair value of derivative assets was reduced by a net credit valuation adjustment of $3.0 million. The adjustment for derivative liabilities was not significant. At September 30, 2014, these same adjustments were $1.7 million and $0.3 million, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

8. DEBT AND SHAREHOLDERS' EQUITY

Long-term debt is summarized as follows:
(In thousands)

	September 30, 2015	December 31, 2014
Junior subordinated debentures related to trust preferred securities	$164,950	$168,043
Convertible subordinated notes	70,119	132,838
Subordinated notes	302,102	335,798
Senior notes	406,631	432,385
FHLB advances	—	22,156
Capital lease obligations	950	1,062
Total	$944,752	$1,092,282

The preceding carrying values represent the par value of the debt adjusted for any unamortized premium or discount or other basis adjustments, including the value of associated hedges.

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Debt Redemptions and Maturities
During the third quarter of 2015, approximately $109 million carrying value of 6.0% subordinated and convertible subordinated notes matured. During the first half of 2015, we redeemed approximately $27 million of long-term senior notes at their initial call dates, and we redeemed $3.1 million of trust preferred securities and the entire $22 million of FHLB advances; the FHLB redemption resulted in debt extinguishment cost of $2.4 million.

On November 16, 2015, approximately $122 million carrying value at September 30, 2015 of 5.5% subordinated and convertible subordinated notes will mature.

Preferred Stock
On October, 19 2015, we announced the commencement of a $180 million cash tender offer to purchase certain outstanding preferred stock and depositary shares. The tender offer will expire on November 16, 2015.

Basel III Capital Framework
Effective January 1, 2015, we adopted the new Basel III capital framework that was issued by the Federal Reserve for U.S. banking organizations. We adopted the new capital rules on a 2015 phase-in basis and will adopt the fully phased-in requirements effective January 1, 2019. During the first quarter of 2015, we made the “opt-out” election with respect to the regulatory capital treatment of AOCI under the Basel III framework.

Among other things, the new rules revise capital adequacy guidelines and the regulatory framework for prompt corrective action, and they modify specified quantitative measures of our assets, liabilities, and capital. The impact of these new rules will require the Company to maintain capital in excess of current “well-capitalized” regulatory standards.

Accumulated Other Comprehensive Income
Changes in AOCI by component are as follows:

(In thousands)	Net unrealized gains (losses) on investment securities	Net unrealized gains (losses) on derivatives and other	Pension and post-retirement	Total
Nine Months Ended September 30, 2015				
Balance at December 31, 2014	$(91,921)	$2,226	$ (38,346)	$(128,041)
Other comprehensive income before reclassifications, net of tax	15,398	13,035	—	28,433
Amounts reclassified from AOCI, net of tax	85,845	(3,212)	—	82,633
Other comprehensive income	101,243	9,823	—	111,066
Balance at September 30, 2015	$9,322	$12,049	$ (38,346)	$(16,975)
Income tax expense included in other comprehensive income	$65,549	$6,311	$ —	$71,860
Nine Months Ended September 30, 2014				
Balance at December 31, 2013	$(168,805)	$1,556	$ (24,852)	$(192,101)
Other comprehensive income before reclassifications, net of tax	100,723	678	—	101,401
Amounts reclassified from AOCI, net of tax	(19,206)	(1,021)	—	(20,227)
Other comprehensive income (loss)	81,517	(343)	—	81,174

Balance at September 30, 2014	$(87,288)	$1,213	$ (24,852)	$(110,927)
Income tax expense (benefit) included in other comprehensive income (loss)	$61,714	$(214)	$ —	$61,500

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(In thousands)	Amounts reclassified from AOCI [1] Three Months Ended September 30,		Nine Months Ended September 30,		Statement of income (SI)	
Details about AOCI components	2015	2014	2015	2014	Balance sheet (BS)	Affected line item
Net realized gains (losses) on investment securities	$(53)	$(13,901)	$(138,728)	$22,039	SI	Fixed income securities gains (losses), net
Income tax expense (benefit)	(20)	(6,015)	(52,883)	1,981		
	(33)	(7,886)	(85,845)	20,058		
Net unrealized losses on investment securities	—	—	—	(27)	SI	Net impairment losses on investment securities
Income tax benefit	—	—	—	(10)		
	—	—	—	(17)		
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	(467)	—	(1,411)	BS	Investment securities, held-to-maturity
Deferred income taxes	—	191	—	576	BS	Other assets
	$(33)	$(8,162)	$(85,845)	$19,206		
Net unrealized gains on derivative instruments	$2,957	$770	$5,191	$1,698	SI	Interest and fees on loans
Income tax expense	1,127	307	1,979	677		
	$1,830	$463	$3,212	$1,021		

[1] Negative reclassification amounts indicate decreases to earnings in the statement of income and increases to balance sheet assets. The opposite applies to positive reclassification amounts.

9. INCOME TAXES

The effective income tax rate of 28.8% for the third quarter of 2015 was lower than the 2014 third quarter rate of 35.6%, primarily due to the recognition of tax credits for certain research and development initiatives and for a project related to alternative energy that was placed in service during the third quarter of 2015. On a year-to-date basis, the 2015 tax rate of 32.0% was lower than the 2014 rate of 36.1% due primarily to the tax credit projects and to an increase in the proportion of nontaxable items relative to pretax income.

Net deferred tax assets were approximately $201 million at September 30, 2015 and $224 million at December 31, 2014. We evaluate deferred tax assets on a regular basis to determine whether an additional valuation allowance is required. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of September 30, 2015.

10. FAIR VALUE

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established that requires an entity to

maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:
Level 1 – Quoted prices in active markets for identical assets or liabilities in active markets that the Company has the ability to access;
Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in less active markets, observable inputs other than quoted prices that are used in the valuation of an asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined by pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.
The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety. Market activity is presumed to be orderly in the absence of evidence of forced or disorderly sales, although such sales may still be indicative of fair value. Applicable accounting guidance precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. Fair value is used on a nonrecurring basis to measure certain assets when adjusting carrying values, such as the application of lower of cost or fair value accounting, including recognition of impairment on assets. Fair value is also used when providing required disclosures for certain financial instruments.

Fair Value Policies and Procedures
We have various policies, processes and controls in place to ensure that fair values are reasonably developed, reviewed and approved for use. These include a Securities Valuation Committee (“SVC”) comprised of executive management appointed by the Board of Directors. The SVC reviews and approves on a quarterly basis the key components of fair value estimation, including critical valuation assumptions for Level 3 modeling. A Model Risk Management Group conducts model validations, including internal models, and sets policies and procedures for revalidation, including the timing of revalidation.

Third Party Service Providers
We use a third party pricing service to provide pricing for approximately 92% of our AFS Level 2 securities. Fair values for other AFS Level 2 and for Level 3 securities generally use certain inputs corroborated by market data and include standard form discounted cash flow modeling.

For Level 2 securities, the third party pricing service provides documentation on an ongoing basis that presents market corroborative data, including detail pricing information and market reference data. The documentation includes benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data, including information from the vendor trading platform. We review, test and validate this information as appropriate. Absent observable trade data, we do not adjust prices from our third party sources.

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

Available-for-Sale
U.S. Treasury, Agencies and Corporations
U.S. Treasury securities are measured under Level 1 using quoted market prices when available. U.S. agencies and corporations are measured under Level 2 generally using the previously discussed third party pricing service.

Municipal Securities

Municipal securities are measured under Level 2 generally using the third party pricing service. Valuation inputs include Baa municipal curves, as well as FHLB and London Interbank Offered Rate ("LIBOR") swap curves.

Money Market Mutual Funds and Other

Money market mutual funds and other securities are measured under Level 1 or Level 2. For Level 1, quoted market prices are used which may include net asset values or their equivalents. Level 2 valuations generally use quoted prices for similar securities.

Trading Account
Securities in the trading account are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.
Bank-Owned Life Insurance
Bank-owned life insurance (“BOLI”) is measured under Level 2 according to cash surrender values (“CSVs”) of the insurance policies that are provided by a third party service. Nearly all policies are general account policies with CSVs based on the Company’s claims on the assets of the insurance companies. The insurance companies’ investments include predominantly fixed income securities consisting of investment-grade corporate bonds and various types of mortgage instruments. Management regularly reviews its BOLI investment performance, including concentrations among insurance providers.
Private Equity Investments
Private equity investments are measured under Level 3. The Equity Investments Committee, consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available. Certain analytics may be employed that include current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors. The amount of unfunded commitments to invest is disclosed in Note 11. Certain restrictions apply for the redemption of these investments and certain investments are prohibited by the Volcker Rule. See discussions in Notes 5 and 11.
Agriculture Loan Servicing
This asset results from our servicing of agriculture loans approved and funded by Federal Agricultural Mortgage Corporation (“FAMC”). We provide this servicing under an agreement with FAMC for loans they own. The asset’s fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.
Interest-Only Strips
Interest-only strips are created as a by-product of the securitization process. When the guaranteed portions of SBA 7(a) loans are pooled, interest-only strips may be created in the pooling process. The asset’s fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.
Deferred Compensation Plan Assets and Obligations
Invested assets in the deferred compensation plan consist of shares of registered investment companies. These mutual funds are valued under Level 1 at quoted market prices, which represents the NAV of shares held by the plan at the end of the period.
Derivatives
Derivatives are measured according to their classification as either exchange-traded or over-the-counter (“OTC”). Exchange-traded derivatives consist of foreign currency exchange contracts measured under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are measured under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and relevant overnight index swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect nonperformance risk for both the Company and the respective counterparty. These adjustments are determined generally by applying a credit spread to the total expected exposure of the derivative.
Securities Sold, Not Yet Purchased
Securities sold, not yet purchased, included in “Federal funds and other short-term borrowings” on the balance sheet, are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

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Quantitative Disclosure of Fair Value Measurements
Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

(In thousands)	September 30, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$—	$5,741,982	$—	$5,741,982
Municipal securities		213,398		213,398
Other debt securities		22,767		22,767
Money market mutual funds and other	18,509	3,355		21,864
	18,509	5,981,502	—	6,000,011
Trading account		73,521		73,521
Other noninterest-bearing investments:				
Bank-owned life insurance		482,199		482,199
Private equity investments			120,195	120,195
Other assets:				
Agriculture loan servicing and interest-only strips			13,161	13,161
Deferred compensation plan assets	83,703			83,703
Derivatives:				
Interest rate related and other		18,270		18,270
Interest rate swaps for customers		66,805		66,805
Foreign currency exchange contracts	18,947			18,947
	18,947	85,075	—	104,022
	$121,159	$6,622,297	$133,356	$6,876,812
LIABILITIES				
Securities sold, not yet purchased	$29,566	$—	$—	$29,566
Other liabilities:				
Deferred compensation plan obligations	83,703			83,703
Derivatives:				
Interest rate related and other		245		245
Interest rate swaps for customers		69,991		69,991
Foreign currency exchange contracts	16,372			16,372
	16,372	70,236	—	86,608
	$129,641	$70,236	$—	$199,877

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(In thousands)	December 31, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$—	$3,098,208	$—	$3,098,208
Municipal securities		185,093	4,164	189,257
Asset-backed securities:				
Trust preferred – banks and insurance		22,701	393,007	415,708
Auction rate			4,761	4,761
Other		666	25	691
Money market mutual funds and other	105,348	30,275		135,623
	105,348	3,336,943	401,957	3,844,248
Trading account		70,601		70,601
Other noninterest-bearing investments:				
Bank-owned life insurance		476,290		476,290
Private equity investments			99,865	99,865
Other assets:				
Agriculture loan servicing and interest-only strips			12,227	12,227
Deferred compensation plan assets	88,878			88,878
Derivatives:				
Interest rate related and other		1,508		1,508
Interest rate swaps for customers		48,287		48,287
Foreign currency exchange contracts	16,625			16,625
	16,625	49,795	—	66,420
	$210,851	$3,933,629	$514,049	$4,658,529
LIABILITIES				
Securities sold, not yet purchased	$24,230	$—	$—	$24,230
Other liabilities:				
Deferred compensation plan obligations	88,878			88,878
Derivatives:				
Interest rate related and other		297		297
Interest rate swaps for customers		50,669		50,669
Foreign currency exchange contracts	15,272			15,272
	15,272	50,966	—	66,238
Other			13	13
	$128,380	$50,966	$13	$179,359

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Reconciliation of Level 3 Fair Value Measurements
The following reconciles the beginning and ending balances of assets and liabilities that are measured at fair value by class on a recurring basis using Level 3 inputs:

	Level 3 Instruments Three Months Ended September 30, 2015					
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Other	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at June 30, 2015	$—	$—	$—	$110,115	$13,502	$—
Net gains (losses) included in:						
Statement of income:						
Dividends and other investment income (loss)				(620)		
Equity securities gains, net				3,587		
Other noninterest loss, net					(375)	
Purchases				8,184	234	
Sales				(126)		
Redemptions and paydowns				(945)	(200)	
Balance at September 30, 2015	$—	$—	$—	$120,195	$13,161	$—

	Level 3 Instruments Nine Months Ended September 30, 2015					
(In thousands)	Municipal securities	Trust preferred – banks and insurance	Other	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at December 31, 2014	$4,164	$393,007	$4,761	$97,649	$12,227	$(13)
Net gains (losses) included in:						
Statement of income:						
Accretion of purchase discount on securities available-for-sale	3	471				
Dividends and other investment loss				(1,179)		
Equity securities gains, net				7,554		
Fixed income securities losses, net	(344)	(136,691)	(606)			
Other noninterest income, net					1,112	
Other noninterest expense						13
Other comprehensive income (loss)	687	141,547	(74)			
Fair value of HTM securities reclassified as AFS		57,308				
Purchases				20,498	615	
Sales	(2,651)	(440,055)	(4,081)	(2,634)		
Redemptions and paydowns	(1,859)	(15,587)		(1,693)	(793)	

Balance at September 30, 2015	$—	$—	$—	$120,195	$13,161	$—

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(In thousands)	Level 3 Instruments Three Months Ended September 30, 2014 Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT [1]	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at June 30, 2014	$10,038	$685,805	$—	$6,578	$ 28	$ 82,256	$11,461	$(132)
Net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	9	480		1				
Dividends and other investment income						1,451		
Equity securities losses, net						(3,684)		
Fixed income securities gains (losses), net	2	(13,956)		37				
Other noninterest income							139	
Other noninterest expense								65
Other comprehensive income	4	45,521		48				
Purchases						4,438	531	
Sales		(155,869)		(950)	(1)	(476)		
Redemptions and paydowns	(125)	(36,511)				(100)	(213)	
Balance at September 30, 2014	$9,928	$525,470	$—	$5,714	$ 27	$ 83,885	$11,918	$(67)

(In thousands)	Level 3 Instruments Nine Months Ended September 30, 2014 Municipal securities	Trust preferred – banks and insurance	Trust preferred – REIT [1]	Auction rate	Other asset-backed	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
Balance at December 31, 2013	$10,662	$1,238,820	$22,996	$6,599	$ 25,800	$ 82,410	$8,852	$(4,303)
Net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	27	1,833		3				
Dividends and other investment income (loss)						(1,296)		
								(7,894)

Fair value and nonhedge derivative loss								
Equity securities gains, net						(3,100)		
Fixed income securities gains, net	18	9,009	1,399	37	10,917			
Other noninterest income							665	
Other noninterest expense								174
Other comprehensive income (loss)	(178)	146,861		25	(15)			
Purchases						12,898	2,987	
Sales		(702,257)	(24,395)	(950)	(36,670)	(1,315)		
Redemptions and paydowns	(601)	(99,603)			(5)	(5,712)	(586)	11,956
Transfers to Level 2		(69,193)						
Balance at September 30, 2014	$9,928	$525,470	$—	$5,714	$ 27	$ 83,885	$11,918	$(67)

[1] Real Estate Investment Trust

Except for the transfers included in the previous schedule, no transfers of assets or liabilities occurred among Levels 1, 2 or 3 for the three and nine months ended September 30, 2015 and 2014. Transfers are considered to have occurred as of the end of the reporting period.

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The preceding reconciling amounts using Level 3 inputs include the following realized amounts in the statement of income:

(In thousands)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Dividends and other investment income	$(6)	$—	$(2)	$34
Fixed income securities gains (losses), net	—	(13,917)	(137,641)	21,380
Equity securities losses, net	(10,637)	—	(11,311)	—

Nonrecurring Fair Value Measurements
Included in the balance sheet amounts are the following amounts of assets that had fair value changes during the year-to-date period measured on a nonrecurring basis.

(In thousands)	Fair value at September 30, 2015				Fair value at December 31, 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Private equity investments, carried at cost	$—	$—	$2,974	$2,974	$—	$—	$23,454	$23,454
Impaired loans	—	14,419	—	14,419	—	16,574	—	16,574
Other real estate owned	—	2,221	—	2,221	—	8,034	—	8,034
	$—	$16,640	$2,974	$19,614	$—	$24,608	$23,454	$48,062

The previous fair values may not be current as of the dates indicated, but rather as of the date the fair value change occurred, such as a charge for impairment. Accordingly, carrying values may not equal current fair value.

(In thousands)	Gains (losses) from fair value changes			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
ASSETS				
HTM securities adjusted for OTTI	$—	$—	$—	$(27)
Private equity investments, carried at cost	(625)	(339)	(2,903)	(471)
Impaired loans	(7,666)	(807)	(12,682)	(12,126)
Other real estate owned	(565)	(3,088)	(1,883)	(6,259)
	$(8,856)	$(4,234)	$(17,468)	$(18,883)

During the three and nine months ended September 30, we recognized net gains of $0.8 million and $2.7 million in 2015 and $1.9 million and $4.4 million in 2014 from the sale of other real estate owned (“OREO”) properties that had a carrying value at the time of sale of approximately $13.1 million and $30.7 million during the nine months ended September 30, 2015 and 2014, respectively. Previous to their sale in these periods, we recognized impairment on these properties that was not significant for the three months ended September 30, 2015 and 2014, and was $0.4 million and $0.5 million for the nine months ended September 30, 2015 and 2014, respectively.
Private equity investments carried at cost were measured at fair value for impairment purposes according to the methodology previously discussed for these investments. Amounts of private equity investments carried at cost were $28.7 million at September 30, 2015 and $39.1 million at December 31, 2014. Amounts of other noninterest-bearing investments carried at cost were $220.2 million at September 30, 2015 and $250.7 million at December 31, 2014, which were comprised of Federal Reserve, Federal Home Loan Bank, and Farmer Mac stock.

Impaired (or nonperforming) loans that are collateral-dependent were measured at fair value based on the fair value of the collateral. OREO was measured initially at fair value based on property appraisals at the time of transfer and subsequently at the lower of cost or fair value.

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Measurement of fair value for collateral-dependent loans and OREO was based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). Any adjustments to calculated fair value were made based on recently completed and validated third party appraisals, third party appraisal services, automated valuation services, or our informed judgment. Evaluations were made to determine that the appraisal process met the relevant concepts and requirements of applicable accounting guidance.

Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market, economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been significant to consider disclosure under Level 3 rather than Level 2.

Impaired loans not collateral-dependent were measured at fair valued based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value and have been excluded from the nonrecurring fair value balance in the preceding schedules.

Fair Value of Certain Financial Instruments

Following is a summary of the carrying values and estimated fair values of certain financial instruments:

(In thousands)	September 30, 2015 Carrying value	Estimated fair value	Level	December 31, 2014 Carrying value	Estimated fair value	Level
Financial assets:						
HTM investment securities	$544,168	$553,088	3	$647,252	$677,196	3
Loans and leases (including loans held for sale), net of allowance	39,655,805	39,414,672	3	39,591,499	39,426,498	3
Financial liabilities:						
Time deposits	2,216,206	2,223,094	2	2,406,924	2,408,550	2
Foreign deposits	441,560	441,548	2	328,391	328,447	2
Long-term debt (less fair value hedges)	944,613	975,642	2	1,090,778	1,159,287	2

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

HTM investment securities primarily consist of municipal securities. They were measured at fair value according to the methodologies previously discussed for these investment types.

Loans are measured at fair value according to their status as nonimpaired or impaired. For nonimpaired loans, fair value is estimated by discounting future cash flows using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated "life of the loan" aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are derived from the methods used to estimate the ALLL for our loan portfolio and are adjusted quarterly as necessary to reflect the most recent loss experience. Impaired loans are already considered to be held at fair value, except those whose fair value is determined by discounting cash flows, as discussed previously. See Impaired Loans in Note 6 for details on the impairment measurement method for impaired loans. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

Time and foreign deposits, and any other short-term borrowings, are measured at fair value by discounting future cash flows using the LIBOR yield curve to the given maturity dates.

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Long-term debt is measured at fair value based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads.
These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding current economic conditions, future expected loss experience, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and cannot be determined with precision. Changes in these methodologies and assumptions could significantly affect the estimates.

11. COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES
Commitments and Guarantees
Contractual amounts of off-balance sheet financial instruments used to meet the financing needs of our customers are as follows:

(In thousands)	September 30, 2015	December 31, 2014
Net unfunded commitments to extend credit [1]	$16,969,127	$16,658,757
Standby letters of credit:		
Financial	701,945	745,895
Performance	204,949	183,482
Commercial letters of credit	77,874	32,144
Total unfunded lending commitments	$17,953,895	$17,620,278

[1] Net of participations

The Company’s 2014 Annual Report on Form 10-K contains further information about these commitments and guarantees including their terms and collateral requirements. At September 30, 2015, the Company had recorded approximately $15.2 million as a liability for the guarantees associated with the standby letters of credit, which consisted of $12.0 million attributable to the RULC and $3.2 million of deferred commitment fees.
At September 30, 2015, the Parent has guaranteed $15 million of debt of affiliated trusts issuing trust preferred securities.
At September 30, 2015, we had unfunded commitments for private equity investments of approximately $48 million. These obligations have no stated maturity. Certain PEIs related to these commitments are prohibited by the Volcker Rule. See related discussions about these investments in Notes 5 and 10.
Legal Matters
We are subject to litigation in court and arbitral proceedings, as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. Litigation may relate to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, regulatory and legal compliance, and other matters. While most matters relate to individual claims, we are also subject to putative class action claims and similar broader claims. Proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies may relate to our banking, investment advisory, trust, securities, and other products and services; our customers’ involvement in money laundering, fraud, securities violations and other illicit activities or our policies and practices relating to such customer activities; and our compliance with the broad range of banking, securities and other laws and regulations applicable to us. At any given time, we may be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters.

As of September 30, 2015, we were subject to the following material litigation and governmental inquiries:

- a class action case, Reyes v. Zions First National Bank, et. al., which was brought in the United States District Court for the Eastern District of Pennsylvania in early 2010. This case relates to our banking relationships with customers that allegedly engaged in wrongful telemarketing practices. The plaintiff is seeking a trebled monetary award under the federal RICO Act. In the third quarter of 2013, the District Court denied the plaintiff's motion for class certification in the Reyes case. The plaintiff appealed the District Court decision to the Third Circuit Court of Appeals. In the third quarter of 2015, the Third Circuit vacated the District Court's decision denying class certification and remanded the matter to the District Court with instructions to reconsider the class certification determination in light of particular standards articulated by the Third Circuit in its opinion. The District Court judge has directed the parties to participate in a settlement conference with a federal magistrate judge in the fourth quarter of 2015.
- a governmental inquiry into possible money laundering activities of a customer of one of our subsidiary banks and the anti-money laundering practices of that bank (conducted by the United States Attorney's Office for the Southern District of New York). Our first contact with the United States Attorney's Office relating to this matter occurred in early 2012. We are unclear about the status of this inquiry.
- a governmental inquiry into the practices of our subsidiary, Zions Bank; our former subsidiary, NetDeposit, LLC; and possibly other of our affiliates relating primarily to payment processing for allegedly fraudulent telemarketers and other customer types (conducted by the Department of Justice). This inquiry has been directed towards the banking industry generally, including numerous banks unrelated to us, and has led to a number of enforcement actions. Our first contact with the Department of Justice relating to this matter occurred in early 2013. We are unclear about the status of the inquiry as it relates to us.

At least quarterly, we review outstanding and new legal matters, utilizing then available information. In accordance with applicable accounting guidance, if we determine that a loss from a matter is probable and the amount of the loss can be reasonably estimated, we establish an accrual for the loss. In the absence of such a determination, no accrual is made. Once established, accruals are adjusted to reflect developments relating to the matters.

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to meaningfully estimate such a range only for a limited number of matters. Based on information available as of September 30, 2015, we estimated the aggregate range of reasonably possible losses for those matters to be from $0 million to roughly $50 million in excess of amounts accrued. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

Based on our current knowledge, we believe that our current estimated liability for litigation and other legal actions and claims, reflected in our accruals and determined in accordance with applicable accounting guidance, is adequate and that liabilities in excess of the amounts currently accrued, if any, arising from litigation and other legal actions and claims for which an estimate as previously described is possible, will not have a material impact on our financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in these matters, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our financial condition, results of operations, or cash flows for any given reporting period.

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class

action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

12. RETIREMENT PLANS

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

(In thousands)	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended September 30,						Nine Months Ended September 30,					
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Service cost	$—	$—	$—	$—	$8	$8	$—	$—	$—	$—	$25	$23
Interest cost	1,755	1,869	101	113	10	12	5,320	5,608	302	340	30	35
Expected return on plan assets	(3,090)	(3,326)					(9,270)	(9,979)				
Amortization of prior service cost			—	13	—	—			—	38	—	—
Amortization of net actuarial (gain) loss	1,297	735	31	5	(13)	(18)	4,445	2,206	92	14	(40)	(53)
Net periodic benefit cost (credit)	$(38)	$(722)	$132	$131	$5	$2	$495	$(2,165)	$394	$392	$15	$5

As disclosed in the Company's 2014 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

13. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of September 30, 2015, we operate seven community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 99 branches in Utah, 24 branches in Idaho, and one branch in Wyoming. Amegy operates 77 branches in Texas. CB&T operates 94 branches in California. NBAZ operates 66 branches in Arizona. NSB operates 49 branches in Nevada. Vectra operates 36 branches in Colorado and one branch in New Mexico. TCBW operates one branch in Washington and one branch in Oregon. Effective April 1, 2015, TCBO was merged into TCBW. Note 1 discusses the approval to merge the Company's seven subsidiary banks into Zions Bank following the close of business on December 31, 2015. This consolidation will affect the presentation of segment reporting, although certain geographical information will continue.

The operating segment identified as "Other" includes the Parent, Zions Management Services Company ("ZMSC"), certain nonbank financial service subsidiaries, and eliminations of transactions between segments. The Parent's operations are significant to the Other segment. Net interest income is substantially affected by the Parent's interest on long-term debt. ZMSC provides internal technology and operational services to affiliated operating businesses of the

Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.
The accounting policies of the individual operating segments are the same as those of the Company. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Operating segments pay for centrally provided services based upon estimated or actual usage of those services.

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The following schedule presents selected operating segment information for the three months ended September 30, 2015 and 2014:

(In millions)	Zions Bank		Amegy		CB&T		NBAZ		NSB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
CONDENSED INCOME STATEMENT										
Net interest income	$145.9	$146.7	$99.9	$95.8	$95.0	$98.9	$40.4	$40.3	$27.6	$28.4
Provision for loan losses	(5.7)	(27.7)	31.8	(3.5)	1.1	(10.1)	(2.4)	(4.5)	(3.7)	(4.9)
Net interest income after provision for loan losses	151.6	174.4	68.1	99.3	93.9	109.0	42.8	44.8	31.3	33.3
Noninterest income	50.4	44.8	33.4	39.4	18.6	17.5	9.9	9.6	9.4	9.6
Noninterest expense	128.8	123.4	90.2	79.1	70.6	77.1	35.8	33.2	32.3	31.8
Income before income taxes	73.2	95.8	11.3	59.6	41.9	49.4	16.9	21.2	8.4	11.1
Income taxes (benefit)	26.4	35.4	3.5	20.4	16.4	19.1	2.6	7.9	2.8	3.7
Net income (loss)	46.8	60.4	7.8	39.2	25.5	30.3	14.3	13.3	5.6	7.4
Net income (loss) applicable to noncontrolling interests	0.6	—	—	—	—	—	—	—	—	—
Net income (loss) applicable to controlling interest	$46.2	$60.4	$7.8	$39.2	$25.5	$30.3	$14.3	$13.3	$5.6	$7.4
AVERAGE BALANCE SHEET DATA										
Total assets	$18,437	$18,083	$13,901	$13,861	$11,846	$11,252	$5,018	$4,710	$4,354	$4,074
Cash and due from banks	241	322	101	172	88	134	43	70	70	94
Money market investments	2,064	3,083	2,230	2,555	1,944	1,577	441	401	961	741
Total securities	3,211	1,814	319	266	538	258	535	380	864	799
Total loans	12,200	12,312	10,078	9,721	8,532	8,520	3,799	3,660	2,321	2,318
Total deposits	15,944	15,827	11,411	11,382	10,181	9,592	4,360	4,081	3,951	3,670
Shareholder’s equity:										

Preferred equity	280	280	226	226	162	162	85	85	50	50
Common equity	1,689	1,578	1,967	1,903	1,415	1,386	500	465	326	330
Noncontrolling interests	17	—	—	—	—	—	—	—	—	—
Total shareholder’s equity	1,986	1,858	2,193	2,129	1,577	1,548	585	550	376	380

	Vectra		TCBW		Other		Consolidated Company	
	2015	2014	2015	2014	2015	2014	2015	2014
CONDENSED INCOME STATEMENT								
Net interest income	$25.5	$25.4	$7.5	$8.3	$(16.4)	$(27.1)	$425.4	$416.7
Provision for loan losses	(1.6)	(3.2)	(1.2)	(0.7)	—	(0.1)	18.3	(54.7)
Net interest income after provision for loan losses	27.1	28.6	8.7	9.0	(16.4)	(27.0)	407.1	471.4
Noninterest income	5.8	6.0	1.1	1.1	2.2	(12.0)	130.8	116.0
Noninterest expense	24.7	24.2	5.3	5.7	8.4	64.0	396.1	438.5
Income (loss) before income taxes	8.2	10.4	4.5	4.4	(22.6)	(103.0)	141.8	148.9
Income taxes (benefit)	2.7	3.6	1.5	1.5	(15.1)	(38.5)	40.8	53.1
Net income (loss)	5.5	6.8	3.0	2.9	(7.5)	(64.5)	101.0	95.8
Net income (loss) applicable to noncontrolling interests	—	—	—	—	(0.6)	—	—	—
Net income (loss) applicable to controlling interest	$5.5	$6.8	$3.0	$2.9	$(6.9)	$(64.5)	$101.0	$95.8
AVERAGE BALANCE SHEET DATA								
Total assets	$3,246	$2,751	$1,058	$977	$546	$420	$58,406	$56,128
Cash and due from banks	26	41	29	34	(14)	(9)	584	858
Money market investments	514	174	227	140	395	(178)	8,776	8,493
Total securities	247	152	86	78	56	300	5,856	4,047

Total loans	2,397	2,319	702	712	(4)	5	40,025	39,567
Total deposits	2,834	2,339	906	827	(668)	(1,427)	48,919	46,291
Shareholder's equity:								
Preferred equity	25	26	3	3	173	172	1,004	1,004
Common equity	324	307	111	107	324	145	6,656	6,221
Noncontrolling interests	—	—	—	—	(17)	—	—	—
Total shareholder's equity	349	333	114	110	480	317	7,660	7,225

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The following schedule presents selected operating segment information for the nine months ended September 30, 2015 and 2014:

(In millions)	Zions Bank		Amegy		CB&T		NBAZ		NSB	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
CONDENSED INCOME STATEMENT										
Net interest income	$431.2	$434.8	$291.6	$285.9	$289.4	$311.8	$119.7	$120.9	$83.9	$84.6
Provision for loan losses	(18.7)	(51.8)	56.9	5.9	(6.5)	(25.1)	1.0	(15.5)	(15.4)	(13.2)
Net interest income after provision for loan losses	449.9	486.6	234.7	280.0	295.9	336.9	118.7	136.4	99.3	97.8
Noninterest income [1]	90.6	139.0	101.2	107.7	56.5	37.1	29.2	26.2	26.8	23.4
Noninterest expense	385.5	366.0	280.9	258.6	224.4	244.8	109.5	109.4	98.0	97.9
Income before income taxes	155.0	259.6	55.0	129.1	128.0	129.2	38.4	53.2	28.1	23.3
Income taxes (benefit)	54.4	95.4	17.2	43.6	50.0	50.2	10.0	19.7	9.4	7.7
Net income (loss)	100.6	164.2	37.8	85.5	78.0	79.0	28.4	33.5	18.7	15.6
Net income (loss) applicable to noncontrolling interests	2.0	—	—	—	—	—	—	—	—	—
Net income (loss) applicable to controlling interest	$98.6	$164.2	$37.8	$85.5	$78.0	$79.0	$28.4	$33.5	$18.7	$15.6
AVERAGE BALANCE SHEET DATA										
Total assets	$18,628	$17,983	$13,846	$13,650	$11,578	$11,063	$4,929	$4,673	$4,277	$4,046
Cash and due from banks	263	332	127	235	88	152	45	72	72	88
Money market investments	2,664	3,101	2,086	2,498	1,794	1,321	413	368	861	735
Total securities	2,827	1,720	295	256	434	274	466	372	854	789
Total loans	12,184	12,292	10,170	9,550	8,502	8,571	3,803	3,668	2,354	2,314
Total deposits	16,186	15,709	11,362	11,217	9,917	9,421	4,277	4,016	3,870	3,648
Shareholder’s equity:										

Preferred equity	280	280	226	202	162	162	85	101	50	50
Common equity	1,654	1,556	1,953	1,875	1,405	1,368	492	447	330	324
Noncontrolling interests	13	—	—	—	—	—	—	—	—	—
Total shareholder's equity	1,947	1,836	2,179	2,077	1,567	1,530	577	548	380	374

	Vectra		TCBW		Other		Consolidated Company	
	2015	2014	2015	2014	2015	2014	2015	2014
CONDENSED INCOME STATEMENT								
Net interest income	$77.6	$76.1	$22.6	$24.0	$(49.6)	$(88.6)	$1,266.4	$1,249.5
Provision for loan losses	1.9	(9.5)	(1.8)	(0.4)	(0.1)	(0.1)	17.3	(109.7)
Net interest income after provision for loan losses	75.7	85.6	24.4	24.4	(49.5)	(88.5)	1,249.1	1,359.2
Noninterest income [1]	15.6	15.7	3.3	1.4	(70.1)	28.7	253.1	379.2
Noninterest expense	73.0	73.2	11.6	17.1	14.8	75.6	1,197.7	1,242.6
Income (loss) before income taxes	18.3	28.1	16.1	8.7	(134.4)	(135.4)	304.5	495.8
Income taxes (benefit)	5.8	9.7	5.5	3.0	(54.8)	(50.1)	97.5	179.2
Net income (loss)	12.5	18.4	10.6	5.7	(79.6)	(85.3)	207.0	316.6
Net income (loss) applicable to noncontrolling interests	—	—	—	—	(2.0)	—	—	—
Net income (loss) applicable to controlling interest	$12.5	$18.4	$10.6	$5.7	$(77.6)	$(85.3)	$207.0	$316.6
AVERAGE BALANCE SHEET DATA								
Total assets	$3,154	$2,639	$1,007	$957	$154	$524	$57,573	$55,535
Cash and due from banks	28	45	33	28	(17)	(14)	639	938
Money market investments	459	70	166	122	(39)	(168)	8,404	8,047
Total securities	221	158	82	84	120	409	5,299	4,062

Total loans	2,385	2,305	712	710	1	4	40,111	39,414
Total deposits	2,745	2,231	863	809	(1,039)	(1,205)	48,181	45,846
Shareholder’s equity:								
Preferred equity	25	46	3	3	173	160	1,004	1,004
Common equity	320	279	107	105	258	(98)	6,519	5,856
Noncontrolling interests	—	—	—	—	(13)	—	—	—
Total shareholder’s equity	345	325	110	108	418	62	7,523	6,860

[1] Includes loss on sale of CDOs in the second quarter of 2015 of (in millions) $62.5 (Zions Bank), $0.6 (NSB), $0.6 (Vectra) and $73.1 (Other).

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

FORWARD-LOOKING INFORMATION

Statements in this Quarterly Report on Form 10-Q 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," "anticipate," "estimate," "expect," "intend," "plan," "target," "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, including its restructuring and efficiency initiatives and its tender offer for certain of its preferred stock;
- 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 reduced rates of business formation and growth, commercial and residential real estate development and real estate prices, and energy-related commodity prices, including the actual amount and duration of declines in the price of oil and gas;
- changes in markets for debt, equity, and 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, 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 Basel III, and rules and regulations thereunder, on our required regulatory capital and liquidity levels, governmental assessments on us (including, but not limited to, the Federal Reserve reviews of our annual capital plan), 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;

- success in gaining regulatory approvals, when required;

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- 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 FASB 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.

GLOSSARY OF ACRONYMS

ACL	Allowance for Credit Losses	EVE	Economic Value of Equity at Risk
AFS	Available-for-Sale	FAMC	Federal Agricultural Mortgage Corporation, or “Farmer Mac”
ALCO	Asset/Liability Committee	FASB	Financial Accounting Standards Board
ALLL	Allowance for Loan and Lease Losses	FDIC	Federal Deposit Insurance Corporation
Amegy	Amegy Corporation	FHLB	Federal Home Loan Bank
AOCI	Accumulated Other Comprehensive Income	FHLMC	Federal Home Loan Mortgage Corporation, or “Freddie Mac”
ASC	Accounting Standards Codification	FNMA	Federal National Mortgage Association, or “Fannie Mae”
ASU	Accounting Standards Update	FRB	Federal Reserve Board
ATM	Automated Teller Machine	GAAP	Generally Accepted Accounting Principles
BOLI	Bank-Owned Life Insurance	GNMA	Government National Mortgage Association, or “Ginnie Mae”
bps	basis points	HECL	Home Equity Credit Line
CB&T	California Bank & Trust	HQLA	High Quality Liquid Assets
CCAC	Corporate Credit Administration Committee	HTM	Held-to-Maturity
CCAR	Comprehensive Capital Analysis and Review	IFRS	International Financial Reporting Standards
CDO	Collateralized Debt Obligation	ISDA	International Swap and Derivative Association
CET1	Common Equity Tier 1 (Basel III)	LCR	Liquidity Coverage Ratio
CFPB	Consumer Financial Protection Bureau	LGD	Loss Given Default
CLTV	Combined Loan-to-Value Ratio	LIBOR	London Interbank Offered Rate
COSO	Committee of Sponsoring Organizations of the Treadway Commission	LIHTC	Low-Income Housing Tax Credit
CRE	Commercial Real Estate	MD&A	Management’s Discussion and Analysis
CSA	Credit Support Annex	NAV	Net Asset Value
CSV	Cash Surrender Value	NBAZ	National Bank of Arizona
DBRS	Dominion Bond Rating Service	NSFR	Net Stable Funding Ratio
DFAST	Dodd-Frank Act Stress Test	NSB	Nevada State Bank
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	NYMEX	New York Mercantile Exchange

DTA	Deferred Tax Asset	OCC	Office of the Comptroller of the Currency
EITF	Emerging Issues Task Force	OCI	Other Comprehensive Income
ERM	Enterprise Risk Management	OREO	Other Real Estate Owned
ERMC	Enterprise Risk Management Committee	OTC	Over-the-Counter

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OTTI	Other-Than-Temporary Impairment	SVC	Securitization Valuation Committee
Parent	Zions Bancorporation	T1C	Tier 1 Common (Basel I)
PCI	Purchase Credit-Impaired	TCBO	The Commerce Bank of Oregon
PD	Probability of Default	TCBW	The Commerce Bank of Washington
PEIs	Private Equity Investments	TDR	Troubled Debt Restructuring
REIT	Real Estate Investment Trust	Vectra	Vectra Bank Colorado
ROC	Risk Oversight Committee	VIE	Variable Interest Entity
RULC	Reserve for Unfunded Lending Commitments	VR	Volcker Rule
SBA	Small Business Administration	Zions Bank	Zions First National Bank
SBIC	Small Business Investment Company	ZMFU	Zions Municipal Funding
SEC	Securities and Exchange Commission	ZMSC	Zions Management Services Company
SNC	Shared National Credit		

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The Company has made no significant changes in its critical accounting policies and significant estimates from those disclosed in its 2014 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Executive Summary

Net earnings applicable to common shareholders for the third quarter of 2015 were $84.2 million, or $0.41 per diluted common share, compared to a net loss applicable to common shareholders of $(1.1) million, or $(0.01) per diluted common share, for the second quarter of 2015 and net income of $79.1 million, or $0.40 per diluted common share for the third quarter of 2014. The Company's second quarter results included a $137 million loss, or $0.42 per diluted share, from the sale of remaining collateralized debt obligation ("CDO") securities. Excluding this loss, net earnings applicable to common shareholders was $83.4 million, or $0.41 per diluted common share, for the second quarter of 2015.

Highlights from the third quarter include:

- Total noninterest expense was $396 million during the third quarter and $1,198 million year-to-date, compared to $404 million and $802 million last quarter, and $439 million and $1,243 million during the third quarter of 2014. As previously committed, the Company is on track to achieve 50% of its gross $120 million expense reduction by the end of 2015 and to hold adjusted noninterest expense below $1.6 billion in 2015.

- The efficiency ratio improved to 69.5% during the third quarter, compared to 71.4% during the second quarter, and 73.0% for the third quarter of 2014, reflecting progress towards the Company's commitment to have this ratio be at or less than 70% for the second half of 2015.

- The credit quality of the Company's overall loan portfolio remained strong, with moderate deterioration in energy loans as explained subsequently. When compared to the prior quarter's level, classified loans increased 2%, nonperforming assets declined 4%, and net charge-offs excluding energy loans were stable. Compared to the same prior year period, classified loans and nonperforming assets each increased 11%.

- Energy loan net charge-offs were $17 million during the third quarter; there were no energy loan net charge-offs during the second quarter. The Company increased the allowance for credit losses ("ACL") on its energy portfolio in part due to the decline in energy prices during the third quarter. This contributed to an increased provision for loan losses of $18.3 million during the third quarter, compared to $0.6 million during the second quarter. The overall performance of the energy loan portfolio has been substantially consistent with the Company's initial communications in late 2014, which concluded that some deterioration was expected from

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declining energy prices; however, we expect disciplined underwriting and strong reserves will keep the impact relatively modest to net charge-offs and overall profitability.

- Net interest income increased slightly from the prior quarter while the net interest margin declined to 3.11% from 3.18%, primarily driven by an increased concentration of cash and securities and a decline in the yield of the loan portfolio attributable primarily to the waning benefit from loans purchased from the Federal Deposit Insurance Corporation ("FDIC") in 2009. Net interest income increased in the third quarter by $8.6 million, or 2%, compared to the same prior year period primarily as a result of the extinguishment of certain long-term debt.

- Loans held for investment increased $89 million during the third quarter. Excluding the effect of attrition in energy-related loans and the National Real Estate portfolio, loans increased $285 million during the third quarter, compared to a $259 million increase during the second quarter calculated on the same basis. Loans held for investment increased $374 million during the third quarter compared to the same prior year period primarily from increased construction and land development and commercial and industrial loans.

Efficiency Initiatives

During the second quarter of 2015, we announced a corporate restructuring in conjunction with several expense and revenue initiatives that are expected to substantially improve our profitability metrics, including:

- consolidate bank charters from seven to one while maintaining local leadership, local product pricing, and local brands;
- create a chief banking officer position, with responsibility for retail banking, wealth management, and residential mortgage lending;
- consolidate risk functions, while emphasizing local credit decision-making;
- consolidate various non-customer facing operations; and
- continue to invest in building best-in-class technology.

We have received approvals from the OCC and the FDIC and expect to complete the mergers following the close of business on December 31, 2015. We will continue to emphasize our locally-oriented leadership structure and the power of our strong local brands in each market we serve. The consolidation of our bank charters will facilitate a simpler and more responsive operating environment and the realization of efficiencies more quickly and in greater measure than is possible under the status quo.

These changes are designed to improve the customer experience (e.g., faster turnaround times), simplify the corporate structure and how we do business, and drive substantial positive operating leverage. The increase in operating leverage is expected to come through increased revenue from growth in loans, deployment of cash to mortgage-backed securities, increased use of interest rate swaps, and improvement in core fee income.

Once implemented, these changes should ultimately produce better revenue and expense trajectories. The following are the targeted financial performance outcomes of these organizational changes, and associated operational and technological initiatives with some brief comments regarding current performance against these measures:

- Achieve an efficiency ratio in the low 60s by fiscal year 2017, driven by expense and revenue initiatives detailed below; the announced target assumes a slight increase in interest rates. We also have intermediate goals of an efficiency ratio less than or equal to 70% in the second half of 2015 and less than or equal to 66% in 2016. The efficiency ratio improved to 69.5% during the third quarter, compared to 71.4% during the second quarter. See "GAAP to Non-GAAP Reconciliations" on page 90 for more information regarding the calculation of the efficiency ratio.
- Increase returns on tangible common equity over the long term to double digit levels. For the third quarter, the tangible return on average tangible common equity was 6.05%, compared to 0.03% for the second quarter (decreased due to the loss from sales of CDO securities), and 6.19% for the third quarter of 2014.

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- Maintain noninterest expense below $1.6 billion in 2015 and 2016, and increasing somewhat in 2017; this target excludes those same expense items excluded in arriving at the efficiency ratio (see “GAAP to Non-GAAP Reconciliations” on page 90 for more information regarding the calculation of the efficiency ratio). We are encouraged with the achievement of noninterest expenses at or below the $400 million level for the third quarter. We are working to realize the remainder of the gross cost savings for 2015 and to keep noninterest expense below $1.6 billion in 2016 as well.
- Achieve gross pretax cost savings of $120 million annually from operational expense initiatives by fiscal year 2017, which include overhauling technology, consolidating legal charters, and improving operating efficiency across the Company. We are on track to achieve half of the targeted cost reductions by year-end.

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; net interest income is the largest portion of our revenue. For the third quarter of 2015, taxable-equivalent net interest income was $429.8 million, compared to $428.0 million for the second quarter of 2015, and $420.9 million for the third quarter of 2014.

Net interest margin in 2015 vs. 2014
The net interest margin was 3.11% and 3.20% for the third quarter of 2015 and 2014, respectively, and 3.18% for the second quarter of 2015. The decreased net interest margin for the third quarter of 2015, compared to the same prior year period, resulted primarily from lower yields on loans held for investment and an increased concentration of available-for-sale (“AFS”) securities.

Even though our average loan portfolio was $458 million higher during the third quarter of 2015, compared to the third quarter of 2014, the average interest rate earned on those assets was 4.18%, which is 15 bps lower than the comparable prior year period. This decline in interest income was primarily caused by reduced interest income on loans purchased from the FDIC in 2009, as those acquired portfolios were successfully managed down, and new loans being originated at lower yields than those that are prepaying and maturing.

The average balance of AFS securities for the third quarter of 2015 increased by $1.9 billion, or 55.3%, while the average yield was 25 bps lower compared to the same prior year period. The decline in the average yield and the changes in the average balance are a result of changes in the composition of the AFS portfolio and the yields of the securities sold and purchased. Beginning in the second half of 2014, to improve the yield of the securities portfolio while maintaining holdings of high quality liquid assets (“HQLA”) securities, we started purchasing U.S. agency pass-through securities. These increases were partially offset by CDO sales and paydowns.

Average noninterest-bearing demand deposits provided us with low cost funding and comprised 44.1% of average total deposits for the third quarter of 2015, compared to 43.1% for third quarter of 2014. Average interest-bearing deposits increased by 3.8% in the third quarter of 2015, compared to the same prior year period, while the average rate paid declined by 1 bp to 18 bps.

The average balance of long-term debt was $844 million lower for the third quarter of 2015 compared to the same prior year period. The reduced balance was a result of tender offers, early calls, and maturities, including $835 million during the third quarter of 2014. The average interest rate paid on long-term debt for the third quarter of 2015 increased by 43 bps compared to the same prior year period. This is due to the remaining average balance of long-term debt being at a higher interest rate than the debt that was redeemed during the past year. Some of the higher cost long-term debt matured in the latter part of the third quarter and more will mature in the fourth quarter. On September 15, 2015, approximately $109 million carrying value of 6.0% subordinated and convertible subordinated notes matured. The total effective cost of this debt was approximately 17% during 2015; the higher effective cost was due to the amortization of debt discount. On November 16, 2015, approximately $124 million par amount of similar 5.5% notes that currently have an effective cost of approximately 14% will mature. We continue

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to look for opportunities to manage down the cost of funds. Refer to the "Liquidity Risk Management" section beginning on page 84 for more information.

During the third quarter of 2015, most of our cash in excess of that needed to fund other interest-earning assets was invested in money market assets, primarily deposits with the Federal Reserve Bank. Average money market investments were 16.0% of total interest-earning assets, compared to 16.3% in the same prior year period.

See "Interest Rate and Market Risk Management" on page 80 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 2.91% and 2.92% for the third quarters of 2015 and 2014, respectively. The rate on interest-earning assets in the third quarter of 2015 of 3.34% was 19 bps lower than that in the same prior year period, and the cost on interest-bearing liabilities declined by 18 bps during the same comparable periods.

We expect the mix of interest-earning assets to continue to change over the next several quarters due to slight-to-moderate loan growth in the commercial and industrial 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 U.S. agency pass-through securities that qualify as HQLA; over time we expect these investments to reduce the proportion of earning assets in money market investments, and increase the proportion of AFS securities. Average yields on the loan portfolio may 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 compared to 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 due to maturities that occurred late in the third quarter of 2015 and will occur in the fourth quarter. We also believe we can offset some of the pressure on the net interest margin through loan growth, purchases of AFS securities, and employment of interest rate swaps designated as cash flow hedges.

We expect 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 HQLA we will be required to hold, we decided in the second half of 2014 to begin deploying cash into short-to-medium duration U.S. agency pass-through securities. In the third quarter of 2015, we purchased HQLA securities of $1.6 billion at amortized cost, increasing HQLA securities by $1.4 billion after paydowns and payoffs during the quarter, and we are continuing these purchases. 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 80.

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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.

CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES
(Unaudited)

(In thousands)	Three Months Ended September 30, 2015 Average balance	Amount of interest [1]	Average yield/rate	Three Months Ended September 30, 2014 Average balance	Amount of interest [1]	Average yield/rate
ASSETS						
Money market investments	$8,775,823	$6,018	0.27 %	$8,492,772	$5,483	0.26 %
Securities:						
Held-to-maturity	553,615	7,075	5.07 %	612,244	7,912	5.13 %
Available-for-sale	5,254,986	24,502	1.85 %	3,383,618	17,937	2.10 %
Trading account	47,235	445	3.74 %	50,970	403	3.14 %
Total securities	5,855,836	32,022	2.17 %	4,046,832	26,252	2.57 %
Loans held for sale	131,113	1,222	3.70 %	124,347	1,179	3.76 %
Loans and leases [2]						
Commercial	21,289,641	222,478	4.15 %	21,125,766	232,290	4.36 %
Commercial real estate	10,170,539	114,695	4.47 %	10,378,969	117,290	4.48 %
Consumer	8,565,075	84,200	3.90 %	8,062,690	81,813	4.03 %
Total loans and leases	40,025,255	421,373	4.18 %	39,567,425	431,393	4.33 %
Total interest-earning assets	54,788,027	460,635	3.34 %	52,231,376	464,307	3.53 %
Cash and due from banks	583,936			858,179		
Allowance for loan losses	(602,677)			(674,590)		
Goodwill	1,014,129			1,014,129		
Core deposit and other intangibles	19,726			29,535		
Other assets	2,602,639			2,669,260		
Total assets	$58,405,780			$56,127,889		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits:						
Savings and money market	$24,676,897	9,895	0.16 %	$23,637,158	9,404	0.16 %
Time	2,242,064	2,445	0.43 %	2,466,552	2,809	0.45 %
Foreign	441,670	202	0.18 %	254,549	100	0.16 %
Total interest-bearing deposits	27,360,631	12,542	0.18 %	26,358,259	12,313	0.19 %
Borrowed funds:						
Federal funds and other short-term borrowings	211,322	76	0.14 %	176,383	52	0.12 %
Long-term debt	1,033,818	18,235	7.00 %	1,878,247	31,092	6.57 %
Total borrowed funds	1,245,140	18,311	5.83 %	2,054,630	31,144	6.01 %
Total interest-bearing liabilities	28,605,771	30,853	0.43 %	28,412,889	43,457	0.61 %
Noninterest-bearing deposits	21,558,557			19,933,228		
Other liabilities	581,880			556,416		
Total liabilities	50,746,208			48,902,533		

Shareholders' equity:							
Preferred equity	1,004,059			1,004,012			
Common equity	6,655,513			6,221,344			
Total shareholders' equity	7,659,572			7,225,356			
Total liabilities and shareholders' equity	$58,405,780			$56,127,889			
Spread on average interest-bearing funds			2.91 %				2.92 %
Taxable-equivalent net interest income and net yield on interest-earning assets		$429,782	3.11 %			$420,850	3.20 %

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(In thousands)	Nine Months Ended September 30, 2015 Average balance	Amount of interest [1]	Average yield/rate	Nine Months Ended September 30, 2014 Average balance	Amount of interest [1]	Average yield/rate
ASSETS						
Money market investments	$8,404,053	$17,021	0.27 %	$8,046,760	$15,501	0.26 %
Securities:						
Held-to-maturity	589,673	22,431	5.09 %	600,127	24,143	5.38 %
Available-for-sale	4,644,554	67,981	1.96 %	3,403,117	56,913	2.24 %
Trading account	64,534	1,653	3.42 %	58,786	1,451	3.30 %
Total securities	5,298,761	92,065	2.32 %	4,062,030	82,507	2.72 %
Loans held for sale	117,351	3,138	3.58 %	131,575	3,600	3.66 %
Loans and leases [2]						
Commercial	21,463,558	672,468	4.19 %	21,062,688	691,357	4.39 %
Commercial real estate	10,115,149	337,980	4.47 %	10,417,054	367,710	4.72 %
Consumer	8,532,595	250,191	3.92 %	7,933,810	242,150	4.08 %
Total loans and leases	40,111,302	1,260,639	4.20 %	39,413,552	1,301,217	4.41 %
Total interest-earning assets	53,931,467	1,372,863	3.40 %	51,653,917	1,402,825	3.63 %
Cash and due from banks	639,049			937,858		
Allowance for loan losses	(611,062)			(717,999)		
Goodwill	1,014,129			1,014,129		
Core deposit and other intangibles	22,055			32,260		
Other assets	2,577,128			2,614,959		
Total assets	$57,572,766			$55,535,124		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits:						
Savings and money market	$24,470,254	29,083	0.16 %	$23,344,375	27,325	0.16 %
Time	2,304,572	7,447	0.43 %	2,511,098	8,810	0.47 %
Foreign	373,390	437	0.16 %	749,413	1,053	0.19 %
Total interest-bearing deposits	27,148,216	36,967	0.18 %	26,604,886	37,188	0.19 %
Borrowed funds:						
Federal funds and other short-term borrowings	215,088	228	0.14 %	228,546	182	0.11 %
Long-term debt	1,068,891	56,290	7.04 %	2,050,189	104,098	6.79 %
Total borrowed funds	1,283,979	56,518	5.89 %	2,278,735	104,280	6.12 %
Total interest-bearing liabilities	28,432,195	93,485	0.44 %	28,883,621	141,468	0.65 %
Noninterest-bearing deposits	21,033,053			19,240,639		
Other liabilities	584,672			550,780		
Total liabilities	50,049,920			48,675,040		
Shareholders' equity:						
Preferred equity	1,004,035			1,003,990		
Common equity	6,518,811			5,856,094		
Total shareholders' equity	7,522,846			6,860,084		
Total liabilities and shareholders' equity	$57,572,766			$55,535,124		
			2.96 %			2.98 %

Spread on average interest-bearing funds						
Taxable-equivalent net interest income and net yield on interest-earning assets	$1,279,378	3.17	%	$1,261,357	3.26	%

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

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 on the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments ("RULC") at an adequate level based on the inherent risks associated with such commitments. In determining adequate levels of the

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allowance and reserve, we perform periodic evaluations of our 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 69 for more information on how we determine the appropriate level for the allowance for loan and lease losses ("ALLL") and the RULC.

During the past few years, we have experienced a significant improvement in credit quality metrics; however, recently we have experienced deterioration in various credit quality metrics primarily associated with energy-related loans at Amegy Bank. Overall credit quality metrics for the third quarter of 2015 compared to the same prior year period deteriorated moderately. Gross loan and lease charge-offs increased to $42 million in the third quarter of 2015, compared to $26 million in the same prior year period. Additionally, we had gross recoveries of $11 million in the third quarter of 2015, compared to $16 million in the same prior year period.

Nonperforming assets increased to $372 million at September 30, 2015 from $326 million at December 31, 2014. The ratio of nonperforming assets to loans and leases and other real estate owned ("OREO") increased to 0.92% at September 30, 2015 from 0.81% at December 31, 2014. Classified loans increased to $1.3 billion at September 30, 2015 from $1.1 billion at December 31, 2014. Approximately 84% of classified loans at September 30, 2015 were current as to principal and interest payments, compared to 83% at December 31, 2014. Classified loans are loans with well-defined credit weaknesses that are risk graded Substandard or Doubtful.

The allowance for loan losses decreased by approximately $8.2 million since December 31, 2014, due to improvements in credit quality metrics outside of the energy portfolio, which outweighed deterioration within the energy portfolio. This resulted in a provision of $18.3 million in the third quarter of 2015, compared to a provision of $(54.6) million in the third quarter of 2014. The negative provision in the third quarter of 2014 was due to the continued improvement in portfolio-specific credit quality metrics and sustained improvement in broader economic and credit quality indicators up to that point. During the third quarter of 2015, the provision increased by $17.7 million compared to the second quarter of 2015 due to an increase in charge-offs, particularly in the energy portfolio. We continue to exercise caution with regard to the appropriate level of the allowance for loan losses, given the state of the economy and the sensitivity of the energy loan portfolio to oil and gas prices. Refer to the "Energy-Related Exposure" section on page 70 for more information.

During the third quarter of 2015, we recorded a $1.4 million provision for unfunded lending commitments compared to $(16.1) million in the third quarter of 2014. The provision recognized in the third quarter of 2015 is primarily due to the proportionally large amount of unfunded commitments in the energy portfolio compared to the rest of the portfolio. The negative provision in the third quarter of 2014 was primarily due to significant improvement in portfolio-specific credit quality metrics, sustained improvement in broader economic and credit quality indicators, and changes in the portfolio mix. From quarter to quarter, the provision for unfunded lending commitments may be subject to sizable fluctuations due to changes in the timing and volume of loan commitments, originations, funding, and changes in credit quality.

Noninterest Income

Noninterest income represents revenues we earn for products and services that have no associated interest rate or yield. For the third quarter of 2015, noninterest income was $130.8 million, compared to $116.1 million for the same prior year period. The $14.7 million increase was primarily attributable to $13.9 million of fixed income securities losses during the third quarter of 2014 related to the sales of certain CDO securities. The following are the other major components of noninterest income line items impacting the third quarter change.

Equity securities gains increased by $3.2 million in the third quarter of 2015 compared to the same prior year period. The equity securities gains were primarily due to unrealized gains on the Company's Small Business Investment

Company (“SBIC”) investments.

Dividends and other investment income declined by $2.9 million in the third quarter of 2015 compared to the same prior year period. The decline was primarily a result of lower income from the Company’s private equity investments (“PEIs”). As part of the Company’s initiative to consolidate its charters into a single charter, the Company expects to only have shares in the Federal Home Loan Bank (“FHLB”) in Des Moines, and the Company’s subsidiary banks are expected to redeem their shares in the other respective FHLBs, most likely in the second quarter of 2016. As a result of this consolidation, the amount of FHLB dividends received is expected to be reduced in 2016. For the first nine months of 2015, we received approximately $6.0 million of FHLB dividend income. Additionally, Congress is considering reducing the dividends that certain banks receive from shares held in the Federal Reserve Board (“FRB”). For the first nine months of 2015, we received approximately $5.5 million of FRB dividend income.

For the first nine months of 2015, noninterest income decreased by $126.2 million, compared to the first nine months of 2014. The decrease was primarily a result of a one-time loss related to the sale of CDO securities, resulting in a decline of $160.8 million in fixed securities gains compared to the first nine months of 2014. These losses were partially offset by an increase in other service charges, commissions and fees, fair value and nonhedge derivative income, and equity securities gains. All significant components impacting the first nine months of the year not explained above are as follows.

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 $8.2 million in the first nine months of 2015, compared to the same prior year period. The increase was primarily due to increased interchange and merchant fees from commercial credit cards and from interest rate swap management fees.

Fair value and nonhedge derivative income represents the fair value gains and losses from nonhedge credit derivatives as well as the fees on a total return swap. Fair value and nonhedge derivative income improved by $9.6 million to a loss of $(0.8) million for the first nine months of 2015 from a loss of $(10.4) million for the first nine months of 2014. The improvement was primarily due to fees paid on the total return swap in 2014; the total return swap was terminated in the second quarter of 2014 and, therefore, there were no fees on the swap in 2015.

Noninterest Expense

Noninterest expense decreased by $42.4 million, or 9.7%, to $396.1 million in the third quarter of 2015, compared to the same prior year period. The decline in noninterest expense was primarily caused by a decline in debt extinguishment cost and other noninterest expense. The decline was partially offset by an increase in the provision for unfunded lending commitments. The following are major components of noninterest expense line items impacting the third quarter change.

We did not have any debt extinguishment cost in the third quarter of 2015 compared to $44.4 million in the third quarter of 2014 when the Company redeemed approximately $500 million par amount of senior notes through tender offers.

Other noninterest expense for the third quarter of 2015 was $56.3 million, compared to $66.7 million for the same prior year period. The decrease is primarily due to decreased write-downs of the FDIC indemnification asset. The balance of FDIC-supported/PCI loans has declined significantly since the third quarter of 2014, primarily due to paydowns and payoffs. Additionally the decrease was due to a decline in travel expenses as we continue to focus on cost savings across the Company.

For the first nine months of 2015, noninterest expense decreased by $44.9 million, compared to the first nine months of 2014. The decrease was primarily related to a decrease of $42.0 million debt extinguishment cost and $38.2 million in other noninterest expense for the first nine months of 2015, compared to the first nine months of 2014. The decrease in noninterest expense for the first nine months of 2015, compared to the first nine months of

2014, was partially offset by a $19.0 million increase in salaries and employee benefits. Most of the increase in salaries and employee benefits can be attributed to higher base salaries even though the number of full-time equivalent employees declined by 276 in the third quarter of 2015, compared to the third quarter of 2014. Our overall headcount was 10,219 full-time equivalent employees as of September 30, 2015, compared to 10,495 at September 30, 2014. Staff reductions, primarily at several subsidiary banks, were partially offset by increased headcount in specific areas, including our major systems projects, compliance, and build-out of enterprise risk management and stress-testing functions. As discussed previously, efforts are underway to streamline some of these functions across the Company.

The FDIC has proposed a change in deposit insurance assessments that implements a Dodd-Frank Act provision requiring banks with over $10 billion in assets to be responsible for recapitalizing the FDIC insurance fund to 1.35% of insured deposits by the end of 2018, after it reaches a 1.15% reserve ratio. If the rule is finalized, it may go into effect in the first or second quarter of 2016.

We plan to hold noninterest expense to below $1.6 billion, adjusted for certain expense items, in 2015 and 2016, with a slight increase in 2017. The expense items that we exclude from the targeted noninterest expense of $1.6 billion are the same as those excluded in arriving at the efficiency ratio (see “GAAP to Non-GAAP Reconciliations” on page 90 for more information regarding the calculation of the efficiency ratio).

Income Taxes

Income tax expense for the third quarter of 2015 was $40.8 million, compared to $53.1 million for the same period in 2014. The effective income tax rates for these periods were 28.8% and 35.6%, respectively. The 2015 tax rate was lower primarily due to the recognition of tax credits for certain research and development initiatives and for a project related to alternative energy that was placed in service during the third quarter of 2015. The year-to-date tax rates for 2015 and 2014 were 32.0% and 36.1%, respectively. The 2015 tax rate was lower due to the recognition of tax credits and to an increase in the proportion of nontaxable items relative to pretax income, as well as the 2014 accrual of $2.3 million of interest expense reflected in tax expense.

We had a net deferred tax asset (“DTA”) balance of $201 million at September 30, 2015, compared to $224 million at December 31, 2014. The decrease resulted primarily from items related to loan charge-offs in excess of loan loss provisions, earning differences from equity investments, the payout of accrued compensation, and the realization of losses related to the sale of CDO securities in 2015. The decrease in the DTA was partially offset by decreases in deferred tax liabilities related to premises and equipment and the deferred gain on the Company’s 2009 debt exchange.

Preferred Dividends

On October 19, 2015, we announced the commencement of a $180 million cash tender offer to purchase certain outstanding preferred stock and depositary shares. The ultimate amount purchased will be determined by the success of the tender offer, which will expire on November 16, 2015. Depending upon the total amount and mix of series of preferred stock purchased from this offer, preferred stock dividends during 2016 may be reduced by approximately $10 million.

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.

The schedule referred to in our discussion of net interest income includes the average balances of our 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, we began to incrementally deploy some of our excess cash into short-to-medium duration pass-through U.S. agency securities that qualify as HQLA under new Liquidity Coverage Ratio (“LCR”) and liquidity stress-testing regulations. As a result of this, in the third quarter of 2015, we purchased HQLA securities of $1.6 billion at amortized cost, increasing HQLA securities by $1.4 billion after paydowns and payoffs during the quarter, and we are continuing these purchases.

Average interest-earning assets were $53.9 billion for the first nine months of 2015, compared to $51.7 billion for the first nine months of 2014. Average interest-earning assets as a percentage of total average assets for the first nine months of 2015 were 93.7%, compared to 93.0% in the corresponding prior year period.

Average loans were $40.1 billion and $39.4 billion for the first nine months of 2015 and 2014, respectively. Average loans as a percentage of total average assets for the first nine months of 2015 were 69.7%, compared to 71.0% in the corresponding prior year period.

Average money market investments, consisting of interest-bearing deposits, federal funds sold, and security resell agreements, increased by 4.4% to $8.4 billion for the first nine months of 2015, compared to $8.0 billion for the first nine months of 2014. Average securities increased by 30.4% for the first nine months of 2015, compared to the first nine months of 2014. Average total deposits increased by 5.1% resulting from an increase in noninterest-bearing deposits and savings and money market deposits.

Investment Securities Portfolio

We invest in securities to actively manage liquidity and interest rate risk, in addition to generating revenues for the Company. Refer to the “Liquidity Risk Management” section on page 84 for additional information on management of liquidity and funding and compliance with Basel III and LCR requirements. The following schedule presents a profile of our investment securities portfolio. The amortized cost amounts represent the 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 Note 10 of the Notes to Consolidated Financial Statements.

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INVESTMENT SECURITIES PORTFOLIO

	September 30, 2015				December 31, 2014			
(In millions)	Par value	Amortized cost	Carrying value	Estimated fair value	Par value	Amortized cost	Carrying value	Estimated fair value
Held-to-maturity								
Municipal securities	$545	$ 544	$544	$553	$608	$ 608	$608	$620
Asset-backed securities:								
Trust preferred securities – banks and insurance	—	—	—	—	89	79	39	57
	545	544	544	553	697	687	647	677
Available-for-sale								
U.S. Government agencies and corporations:								
Agency securities	1,103	1,103	1,110	1,110	606	607	601	601
Agency guaranteed mortgage-backed securities	2,695	2,806	2,813	2,813	899	935	945	945
Small Business Administration loan-backed securities	1,636	1,816	1,819	1,819	1,400	1,544	1,552	1,552
Municipal securities	208	213	213	213	187	189	189	189
Other debt securities	26	25	23	23	—	—	—	—
Asset-backed securities:								
Trust preferred securities – banks and insurance	—	—	—	—	659	538	415	415
Other	—	—	—	—	7	6	6	6
	5,668	5,963	5,978	5,978	3,758	3,819	3,708	3,708
Money market mutual funds and other	22	22	22	22	137	137	136	136
	5,690	5,985	6,000	6,000	3,895	3,956	3,844	3,844
Total	$6,235	$ 6,529	$6,544	$6,553	$4,592	$ 4,643	$4,491	$4,521

The amortized cost of investment securities at September 30, 2015 increased by 40.6% from the balances at December 31, 2014, primarily due to purchases of agency guaranteed mortgage-backed securities. There were additional increases in agency securities and Small Business Administration (“SBA”) loan-backed securities. These increases were partially offset by the sale of the remaining CDO portfolio during the second quarter of 2015.

The investment securities portfolio includes $294 million of net premium almost exclusively from SBA loan-backed securities and agency guaranteed mortgage-backed securities. Recent purchases of these securities have occurred at a premium to the respective par amount. The amortization of these premiums each quarter is dependent upon borrower prepayment behavior. Premium amortization for the third quarter of 2015 was approximately $14 million, compared to approximately $10 million in the second quarter of 2015, and is included in portfolio yields. The increased premium amortization is due to both an increased amount of agency guaranteed mortgage-backed securities and SBA loan-backed securities and changes in prepayment rates of the underlying loans.

During the first quarter of 2015, we reclassified all of the remaining held-to-maturity (“HTM”) CDO securities, or approximately $79 million at amortized cost, to AFS securities. See Note 5 of the Notes to Consolidated Financial Statements for further discussion regarding this reclassification.

As of September 30, 2015, under the GAAP fair value accounting hierarchy, 0.3% of the $6.0 billion fair value of the AFS securities portfolio was valued at Level 1, 99.7% was valued at Level 2, and there were no Level 3 AFS securities as a result of the sale of the remaining CDO securities. At December 31, 2014, 2.7% of the $3.8 billion fair value of AFS securities portfolio was valued at Level 1, 86.8% was valued at Level 2, and 10.5% was valued at Level 3. See Note 10 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

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Exposure to State and Local Governments
We provide multiple products and services to state and local governments (referred together as “municipalities”), including deposit services, loans, and investment banking services, and we invest in securities issued by the municipalities.
The following schedule summarizes our exposure to state and local municipalities:
MUNICIPALITIES

(In millions)	September 30, 2015	December 31, 2014
Loans and leases	$600	$521
Held-to-maturity – municipal securities	544	608
Available-for-sale – municipal securities	213	189
Available-for-sale – auction rate securities	—	5
Trading account – municipal securities	58	53
Unfunded lending commitments	83	58
Total direct exposure to municipalities	$1,498	$1,434

At September 30, 2015, $1.0 million of loans to one municipality were on nonaccrual. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and approximately 86% of the outstanding credits were originated by CB&T, Zions Bank, Vectra, and NBAZ. See Note 6 of the Notes to Consolidated Financial Statements for additional information about the credit quality of these municipal loans.

All municipal securities are reviewed quarterly for OTTI; see Note 5 of the Notes to Consolidated Financial Statements for more information. HTM securities consist of unrated bonds issued by small local government entities. Prior to purchase, the issuers of municipal securities are evaluated by the Company for their creditworthiness, and some of the securities are guaranteed by third parties. As of September 30, 2015, the AFS municipal securities were issued by issuers with investment-grade ratings from one or more major credit rating agencies.

Foreign Exposure and Operations
We have de minimis credit exposure to foreign sovereign risks and we do not believe our total foreign credit exposure is material. We also do not have significant foreign exposure to derivative counterparties. Foreign loans to non-sovereign entities consist primarily of commercial and industrial loans and totaled $183 million at September 30, 2015 and $144 million at December 31, 2014.
Our foreign operations are comprised of Amegy Bank operating a branch in Grand Cayman, Grand Cayman Islands, B.W.I. Amegy Bank’s foreign branch only accepts deposits from qualified domestic customers. While deposits in this branch are not subject to FRB reserve requirements, there are no federal or state income tax benefits to the Company as a result of these operations. Foreign deposits were $442 million at September 30, 2015 and $328 million at December 31, 2014.
Loan Portfolio
For the first nine months of 2015 and 2014, average loans accounted for 69.7% and 71.0%, respectively, of total average assets. As presented in the following schedule, commercial and industrial loans were the largest category and constituted 32.5% of our loan portfolio at September 30, 2015.

ZIONS BANCORPORATION AND SUBSIDIARIES

LOAN PORTFOLIO

(Amounts in millions)	September 30, 2015 Amount	% of total loans	December 31, 2014 Amount	% of total loans
Commercial:				
Commercial and industrial	$13,035	32.5 %	$13,163	32.9 %
Leasing	427	1.1	409	1.0
Owner occupied	7,141	17.8	7,351	18.3
Municipal	600	1.5	521	1.3
Total commercial	21,203	52.9	21,444	53.5
Commercial real estate:				
Construction and land development	2,214	5.5	1,986	5.0
Term	8,089	20.2	8,127	20.3
Total commercial real estate	10,303	25.7	10,113	25.3
Consumer:				
Home equity credit line	2,347	5.8	2,321	5.8
1-4 family residential	5,269	13.1	5,201	13.0
Construction and other consumer real estate	370	0.9	371	0.9
Bankcard and other revolving plans	428	1.1	401	1.0
Other	193	0.5	213	0.5
Total consumer	8,607	21.4	8,507	21.2
Total net loans	$40,113	100.0 %	$40,064	100.0 %

Net loans and leases remained relatively constant at $40.1 billion at September 30, 2015 compared to December 31, 2014.

Most of the loan portfolio growth during the first nine months of 2015 occurred in municipal, commercial construction and land development, and 1-4 family residential loans. The impact of these increases was partially offset by decreases in commercial and industrial, commercial owner occupied, and commercial real estate term loans. The loan portfolio increased primarily at CB&T, NBAZ, and Vectra, while balances declined at Amegy Bank and NSB. Commercial owner occupied loans declined due primarily to the runoff and attrition of the National Real Estate portfolio at Zions Bank, which is expected to continue throughout 2015. The National Real Estate business is a wholesale business that depends on loan referrals from other community banking institutions. Due to generally soft loan demand nationally, many community banking institutions are retaining, rather than selling, their loan production.

We expect slight-to-moderate overall loan and lease growth during the rest of 2015. We also expect to continue to limit construction and land development loan commitment growth for the foreseeable future as part of management's actions to improve the risk profile of the Company's loans and to reduce portfolio concentration risk.

Since 2009, CB&T and NSB have had loss sharing agreements with the FDIC that provided indemnification for credit losses of acquired loans and foreclosed assets up to specified thresholds. The last of the agreements for commercial loans, which comprised the major portion of the acquired portfolio, expired as of September 30, 2014. The agreements for 1-4 family residential loans will expire in 2019. In previous periods, the FDIC-supported loan balances were presented separately in schedules within MD&A and in other disclosures, and included purchase credit-impaired ("PCI") loans, as discussed in Note 6 of the Notes to Consolidated Financial Statements. Due to declining balances, for all periods presented herein, the FDIC-supported/PCI loans have been reclassified to their respective loan segments and classes.

Other Noninterest-Bearing Investments

As part of the Company's initiative to consolidate its charters into a single charter, the Company will have shares in a single FHLB (Des Moines) and the Company's subsidiary banks are expected to redeem their shares of the other

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respective FHLBs, most likely in the second quarter of 2016. Our investment balance in Federal Reserve stock is expected to remain relatively stable. The following schedule sets forth the Company's other noninterest-bearing investments.

OTHER NONINTEREST-BEARING INVESTMENTS

(In millions)	September 30, 2015	December 31, 2014
Bank-owned life insurance	$482	$476
Federal Home Loan Bank stock	68	104
Federal Reserve stock	123	121
Farmer Mac stock	29	26
SBIC investments	112	86
Non-SBIC investment funds	28	44
Others	9	9
	$851	$866

Premises and Equipment

Premises and equipment increased $44 million, or 5.3%, during the first nine months of 2015 primarily due to capitalized costs associated with the development of a new corporate facility for Amegy Bank in Texas, and additionally from the capitalization of eligible costs related to the development of new lending, deposit and reporting systems.

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits for the first nine months of 2015 increased by 5.1%, compared to the first nine months of 2014, with average interest-bearing deposits increasing by 2.0% and average noninterest-bearing deposits increasing by 9.3%. The increase in noninterest-bearing deposits was largely driven by increased deposits from business customers. The average interest rate paid for interest-bearing deposits was 1 bp lower during the third quarter of 2015, compared to the third quarter of 2014.

Deposits at September 30, 2015, excluding time deposits $100,000 and over and brokered deposits, increased by 2.6%, or $1.2 billion, from December 31, 2014. The increase was mainly due to an increase in noninterest-bearing demand deposits, interest-bearing domestic savings and money market, and a slight increase in foreign deposits, offset by a decrease in time deposits under $100,000.

Demand and savings and money market deposits were 94.6% and 94.3% of total deposits at September 30, 2015 and December 31, 2014, respectively.

During the first nine months of 2015, and throughout 2014, we maintained a low level of brokered deposits with the primary purpose of keeping that funding source available in case of a future need. At September 30, 2015 and December 31, 2014, total deposits included $118 million and $108 million, respectively, of brokered deposits.

See "Liquidity Risk Management" on page 84 for additional information on funding and borrowed funds.

RISK ELEMENTS

Since risk is inherent in substantially all of the Company's operations, management of risk is an integral part of its operations and is also a key determinant of its overall performance. The Board of Directors has appointed a Risk Oversight Committee ("ROC") that consists of appointed Board members who oversee the Company's risk management processes. The ROC meets on a regular basis to monitor and review Enterprise Risk Management ("ERM") activities. As required by its charter, the ROC performs oversight for various ERM activities and approves ERM policies and activities as detailed in the ROC charter.

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Management applies various strategies to reduce the risks to which the Company's operations are exposed, including credit, interest rate and market, liquidity, and operational risks. These risks are overseen by the various management committees of which the Enterprise Risk Management Committee ("ERMC") is the focal point for the monitoring and review of enterprise risk.

Credit Risk Management

Credit risk is the possibility of loss from the failure of a borrower, guarantor, or another obligor to fully perform under the terms of a credit-related contract. Credit risk arises primarily from the Company's lending activities, as well as from off-balance sheet credit instruments.

The Board of Directors, through the ROC, is responsible for approving the overall policies relating to the management of the credit risk of the Company. In addition, the ROC oversees and monitors adherence to key policies and the credit risk appetite which is defined in the Risk Appetite Framework. Additionally, the Board has established the Corporate Credit Administration Committee ("CCAC"), consisting of members of management, to which it has delegated the responsibility for managing credit risk for the company.

Centralized oversight of credit risk is provided through credit policies, credit administration, and credit examination functions at the Parent. We separate the lending function from the credit administration function, which strengthens control over, and the independent evaluation of, credit activities. Formal loan policies and procedures provide the Company with a framework for consistent underwriting and a basis for sound credit decisions at the local subsidiary bank level. In addition, we have a well-defined set of standards for evaluating our loan portfolio and we utilize a comprehensive loan grading system to determine the risk potential in the portfolio. Furthermore, an independent internal credit examination department periodically conducts examinations of the Company's lending departments. These examinations are designed to review credit quality, adequacy of documentation, appropriate loan grading administration, and compliance with lending policies. Reports are submitted to management and to the ROC on a regular basis. New, expanded, or modified products and services, as well as new lines of business, are approved by the corporate New Product Review Committee.

Both the credit policy and the credit examination functions are managed centrally. Each subsidiary bank can be more conservative in its operations under the corporate credit policy; however, formal corporate approval must be obtained if a bank wishes to invoke a more liberal policy. Historically, there have been only a limited number of such approvals. This entire process has been designed to place an emphasis on strong underwriting standards and early detection of potential problem credits in order to develop and implement action plans on a timely basis to mitigate any potential losses.

Our credit risk management strategy includes diversification of our loan portfolio. We attempt to avoid the risk of an undue concentration of credits in a particular collateral type or with an individual customer or counterparty. Generally, our loan portfolio is well diversified; however, due to the nature of our geographical footprint, there are certain significant concentrations primarily in commercial real estate ("CRE") and energy-related lending. We have adopted and adhere to concentration limits on various types of CRE lending, particularly construction and land development lending, leveraged lending, municipal lending, and energy-related lending. All of these limits are continually monitored and revised as necessary. The recent growth in construction and land development loan commitments is within the established concentration limits. Our business activity is primarily with customers located within the geographical footprint of our subsidiary banks.

The credit quality of our loan portfolio remained generally strong during the first nine months of 2015, although we have recently experienced deterioration in various credit quality metrics primarily associated with energy-related loans at Amegy Bank. Nonperforming assets as a percentage of loans and leases and OREO increased slightly to 0.92% at September 30, 2015, compared to 0.81% at December 31, 2014. Gross charge-offs for the third quarter of 2015 increased to $42.4 million from $35.5 million in the fourth quarter of 2014. Net charge-offs increased to $31.2 million from $17.2 million for the same periods, primarily due to deterioration in energy-related loans.

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Government Agency Guaranteed Loans

We participate in various guaranteed lending programs sponsored by U.S. government agencies, such as the SBA, FDIC, Federal Housing Authority, Veterans' Administration, Export-Import Bank of the U.S., and the U.S. Department of Agriculture. As of September 30, 2015, the guaranteed portion of these loans was approximately $421 million. Most of these loans were guaranteed by the SBA.

The following schedule presents the composition of government agency guaranteed loans.

GOVERNMENT GUARANTEES

(Amounts in millions)	September 30, 2015	Percent guaranteed	December 31, 2014	Percent guaranteed
Commercial	$520	76 %	$539	76 %
Commercial real estate	18	77	19	77
Consumer	15	88	17	86
Total loans	$553	76 %	$575	76 %

Commercial Lending

The following schedule provides selected information regarding lending concentrations to certain industries in our commercial lending portfolio.

COMMERCIAL LENDING BY INDUSTRY GROUP

	September 30, 2015		December 31, 2014	
(Amounts in millions)	Amount	Percent	Amount	Percent
Real estate, rental and leasing	$2,387	11.3 %	$2,418	11.4 %
Manufacturing	2,344	11.0	2,305	10.7
Mining, quarrying and oil and gas extraction [1]	1,965	9.3	2,277	10.6
Retail trade	1,942	9.2	1,924	9.0
Wholesale trade	1,647	7.8	1,638	7.6
Healthcare and social assistance	1,315	6.2	1,347	6.3
Finance and insurance	1,287	6.1	1,168	5.5
Transportation and warehousing	1,170	5.5	1,294	6.0
Construction	1,060	5.0	1,027	4.8
Accommodation and food services	946	4.4	911	4.2
Professional, scientific and technical services	876	4.1	884	4.1
Other [2]	4,265	20.1	4,251	19.8
Total	$21,204	100.0 %	$21,444	100.0 %

[1] Certain energy-related market segments (e.g. energy services) are also represented in other industry groups within this schedule.

[2] No other industry group exceeds 4%.

Energy-Related Exposure

Various industries represented in the previous schedule, including mining, quarrying and oil and gas extraction; manufacturing; and transportation and warehousing, contain certain loans we categorize as energy-related. At September 30, 2015, we had approximately $5.4 billion of total energy-related credit exposure and $2.8 billion of primarily oil and gas energy-related loan balances.

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The distribution of energy-related loans by customer market segment is shown in the following schedule:
ENERGY-RELATED EXPOSURE [1]

(Amounts in millions)	September 30, 2015	% of total oil and gas-related		June 30, 2015	% of total oil and gas-related		March 31, 2015	% of total oil and gas-related	
Loans and leases									
Oil and gas-related:									
Upstream – exploration and production	$924	33	%	$954	33	%	$1,078	34	%
Midstream – marketing and transportation	626	22		589	20		654	21	
Downstream – refining	124	5		131	5		140	4	
Other non-services	55	2		75	3		57	2	
Oilfield services	825	29		879	30		959	30	
Energy service manufacturing	251	9		255	9		269	9	
Total oil and gas-related	2,805	100	%	2,883	100	%	3,157	100	%
Alternative energy	214			222			232		
Total loans and leases	3,019			3,105			3,389		
Unfunded lending commitments	2,364			2,403			2,451		
Total credit exposure	$5,383			$5,508			$5,840		
Private equity investments	$17			$18			$20		
Credit quality measures of oil and gas									
Classified loan ratio	15.7	%		11.3	%		9.3	%	
Nonperforming loan ratio	3.0	%		2.3	%		2.1	%	
Net charge-off ratio, annualized	2.4	%		—	%		0.3	%	

1 Because many borrowers operate in multiple businesses, judgment has been applied in characterizing a borrower as energy-related, including a particular segment of energy-related activity, e.g., upstream or downstream.

During the third quarter of 2015, our overall balance of oil and gas-related loans decreased 2.7% to $2.8 billion, compared to a decrease of 8.7% during the second quarter of 2015. In the third quarter of 2015, exploration and production loan balances decreased 3.1%, compared to a decrease of 11.6% in the second quarter of 2015. Energy service loan balances declined 5.1% in the third quarter of 2015, compared to a decrease of 7.6% in the second quarter of 2015. Unfunded energy-related lending commitments declined by $39 million, or 1.6%, during the third quarter of 2015, compared to a decline of $48 million, or 2.0%, during the second quarter of 2015. The decline in oil and gas-related credit exposure during the third quarter was consistent with expectations, and further attrition over the next several quarters is likely.

Our assessment of credit quality of the energy loan portfolio was consistent with the second quarter of 2015. At September 30, 2015, approximately $84.5 million, or 3.0%, of the energy-related loan balances were nonaccruing; an increase from June 30, 2015, when $66.4 million, or 2.3%, were nonaccruing. Approximately 45% of energy-related nonaccruing loans were current as to principal and interest payments at September 30, 2015, down from approximately 87% at June 30, 2015.

Classified energy-related credits increased to $441.4 million at September 30, 2015, from $324.8 million at June 30, 2015. Energy loan net charge-offs were $16.9 million in the third quarter of 2015, compared to none in the second quarter. Generally consistent with expectations, the majority of loan downgrades in the third quarter reflected deterioration in the financial condition of oilfield services companies and, to a lesser degree, a small number of downgrades in the upstream portfolio. Further downgrades are likely; however, the Company currently believes it has established an appropriate reserve for the portfolio. The pattern of a significant increase in graded or classified energy loans as well as the increase in nonaccrual energy loans is generally consistent with prior cycles.

Our historical energy lending performance has been strong despite significant volatility in both oil and natural gas prices. Losses following the 2008-2009 period of oil and gas price declines and volatility were modest. Energy-related classified loans increased significantly during this last economic downturn, nonperforming loans increased much more modestly, and annual losses were relatively minor (approximately 1% in the peak year of 2010). Our cumulative energy-related net charge-offs over the last five years have been lower than the cumulative net loss rate of general commercial and industrial lending during that same period.

Upstream

Upstream exploration and production loans comprised approximately 33% of the energy-related exposure at both September 30 and June 30, 2015. Many upstream borrowers have relatively balanced production between oil and gas. We use disciplined underwriting practices to mitigate the risk associated with upstream lending activities. Upstream loans are made to reserve-based borrowers where approximately 90% of those loans are collateralized by the value of the borrower’s oil and gas reserves. Our oil and gas price deck, the pricing applied to a borrower’s reserves for underwriting purposes, has generally been below the NYMEX strip, i.e., the average of the daily settlement prices of the next 12 months’ futures contracts. Through the use of independent and third party engineers and conservative underwriting, we apply multiple discounts. These discounts often range from 10-40% of the value of the collateral in determining the borrowing base (commitment), and help protect credit quality against significant commodity price declines. Further, reserve-based commitments are subject to a borrowing base redetermination based on then-current energy prices, typically every six months. Generally, we have, at our option, the right to conduct additional redeterminations during the year. Borrowing bases for clients are usually set at 60-70% of available collateral after an adjustment for the discounts described above.

Upstream borrowers generally do not draw the maximum available funding on their lines, which provides the borrower additional liquidity and flexibility. The line utilization rate for upstream borrowers was approximately 61% at both September 30 and June 30, 2015. This unused commitment gives us the ability in some cases to reduce the borrowing base commitment through the redetermination process without creating a borrowing base deficiency (where outstanding debt exceeds the new borrowing base). Nevertheless, our loan agreements generally require the borrowers to maintain a certain amount of equity. Therefore, if the loan to collateral value exceeds an acceptable limit, we work with the borrowers to reinstate an acceptable collateral-value threshold.

An additional metric we consider in our underwriting is a borrower’s oil and gas price hedging practices. A considerable portion of our reserve-based borrowers are hedged. Of the upstream borrower’s risk-based estimated oil production projected in 2015, approximately 55% is hedged based on weighted average commitments and the latest data provided by the borrowers.

Midstream

Midstream marketing and transportation loans comprised approximately 22% of our energy-related exposure as of September 30, 2015, compared to 20% as of June 30, 2015. Loans in this segment are made to companies that gather, transport, treat and blend oil and natural gas, or that provide services to similar companies. The assets owned by these borrowers, which make this activity possible, are field-level gathering systems (small diameter pipe), pipelines (medium/large diameter pipe), tanks, trucks, rail cars, various water-based vessels, and natural gas treatment plants. Our midstream loans are secured by these assets, unless the borrower is rated investment-grade. A significant portion of our midstream borrowers’ revenues are derived from fee-based contracts, giving them limited exposure to commodity price risk. Since lower oil and gas prices slow the drilling and development of new oil and natural gas, but do not normally result in significant numbers of producing wells being shut in, volumes of oil and gas flowing through midstream systems usually remain relatively stable throughout oil and natural gas price cycles. During the 2008-2009 period of oil and gas price volatility, classified loans in the midstream segment peaked at a lower level than the upstream and energy services segments.

Energy Services

Energy service loans, which include oilfield services and energy service manufacturing comprised approximately 38% of our energy-related exposure as of September 30, 2015, compared to 39% as of June 30, 2015. Energy service loans include borrowers that have a concentration of revenues in the energy industry. However, many of

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these borrowers provide a broad range of products and services to the energy industry and are not subject to the same volatility as new drilling activities. Many of these borrowers are diversified geographically and service both oil and gas-related drilling and production.

For energy service loans, underwriting criteria require lower leverage to compensate for the cyclical nature of the industry. During the underwriting process, we use sensitivity analysis to consider revenue and cash flow impacts resulting from oil and gas price cycles. Generally, we underwrite energy service loans to withstand a 20-50% decline in cash flows, with higher discounts for those borrowers subject to greater cyclicality.

Risk Management of the Energy-Related Portfolio

We apply concentration limits and disciplined underwriting to the entire energy-related portfolio to limit our risk exposure. Concentration limits on energy-related lending, coupled with adherence to our underwriting standards, served to constrain loan growth during the past several quarters. As an indicator of the diversity in the size of our energy-related portfolio's size, the average amount of our commitments is approximately $7 million, with approximately 64% of the commitments less than $30 million. The portfolio contains only senior loans – no junior or second lien positions; additionally, we cautiously approach making first-lien loans to borrowers that employ excessive leverage through the use of junior lien loans or unsecured layers of debt. Approximately 90% of the total energy-related portfolio is secured by reserves, equipment, real estate, and other collateral, or a combination of collateral types. Lending arrangements not secured are generally to investment-grade borrowers.

We participate as a lender in loans and commitments designated as Shared National Credits ("SNCs"), which generally consist of larger and more diversified borrowers that have better access to capital markets. SNCs are loans or loan commitments of at least $20 million that are shared by three or more federally supervised institutions. The percentage of SNCs is approximately 80% of the upstream portfolio, 79% of the midstream portfolio, and 51% of the energy services portfolio. Our bankers have direct access and contact with the management of these SNC borrowers, and as such, are active participants. In many cases, we provide ancillary banking services to these borrowers, further evidencing this direct relationship.

As a secondary source of support, many of our energy-related borrowers have access to capital markets and private equity sources. Private sponsors tend to be large funds, often with assets under management of more than $1 billion, managed by individuals with a great deal of energy expertise and experience and who have successfully managed energy investments through previous energy price cycles. The investors in the funds are primarily institutional investors, such as large pensions, foundations, trusts, and high net worth family offices.

We expect some further downgrades in the energy portfolio as we begin to see third and fourth quarter results from the oilfield services companies, although we currently believe we have appropriately reserved for these downgrades. The deterioration of energy credits is transpiring consistently with our outlook and expectations from the fourth quarter of 2014; although, future energy price volatility may result in further credit deterioration. When establishing the level of the ACL, we consider multiple factors, including reduced drilling activity and additional capital raises. Since September 30, 2014, when energy prices began to decline significantly, Amegy Bank has increased its ACL by $68 million. During the third quarter of 2015, we increased the ACL on the energy portfolio in part due to the decline in energy prices during the third quarter. This contributed to an increased provision for loan losses during the third quarter.

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Commercial Real Estate Loans
Selected information indicative of credit quality regarding our CRE loan portfolio is presented in the following schedule.

COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION
(Amounts in millions) Collateral Location

Loan type	As of date	Arizona	California	Colorado	Nevada	Texas	Utah/ Idaho	Washington	Other [1]	Total	% of total CRE
Commercial term											
Balance outstanding	9/30/2015	$1,101	$2,776	$361	$548	$1,335	$1,137	$253	$578	$8,089	78.5 %
% of loan type		13.6 %	34.3 %	4.5 %	6.8 %	16.5 %	14.1 %	3.1 %	7.1 %	100.0 %	
Delinquency rates [2]:											
30-89 days	9/30/2015	0.4 %	0.1 %	0.5 %	0.3 %	0.2 %	— %	0.2 %	0.4 %	0.2 %	
	12/31/2014	— %	0.1 %	— %	0.4 %	— %	0.6 %	0.3 %	0.2 %	0.2 %	
≥ 90 days	9/30/2015	— %	0.5 %	2.1 %	0.1 %	0.1 %	0.3 %	0.9 %	1.0 %	0.4 %	
	12/31/2014	0.1 %	0.6 %	— %	0.6 %	0.1 %	0.3 %	0.3 %	1.0 %	0.4 %	
Accruing loans past due 90 days or more	9/30/2015	$—	$13	$—	$1	$—	$3	$2	$2	$21	
	12/31/2014	—	12	—	3	—	3	1	1	20	
Nonaccrual loans	9/30/2015	$5	$5	$8	$2	$5	$5	$—	$9	$39	
	12/31/2014	2	8	1	1	2	1	—	10	25	
Residential construction and land development											
Balance outstanding	9/30/2015	$60	$353	$72	$6	$256	$66	$13	$8	$834	8.1 %
% of loan type		7.2 %	42.3 %	8.6 %	0.7 %	30.7 %	7.9 %	1.6 %	1.0 %	100.0 %	
Delinquency rates [2]:											
30-89 days	9/30/2015	1.7 %	0.5 %	0.7 %	— %	1.8 %	— %	— %	— %	1.0 %	
	12/31/2014	— %	— %	— %	— %	— %	— %	— %	— %	— %	
≥ 90 days	9/30/2015	— %	— %	— %	— %	— %	— %	— %	— %	— %	
	12/31/2014	— %	— %	— %	— %	2.6 %	— %	— %	— %	0.8 %	
Accruing loans past due 90 days or more	9/30/2015	$—	$—	$—	$—	$—	$—	$—	$—	$—	
	12/31/2014	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	9/30/2015	$—	$—	$—	$—	$—	$—	$—	$—	$—	
	12/31/2014	—	—	—	—	7	—	—	—	7	

Commercial construction and land development											
Balance outstanding	9/30/2015	$88	$221	$125	$62	$492	$304	$23	$65	$1,380	13.4 %
% of loan type		6.4 %	16.0 %	9.1 %	4.5 %	35.7 %	22.0 %	1.6 %	4.7 %	100.0 %	
Delinquency rates [2]:											
30-89 days	9/30/2015	0.1 %	0.5 %	— %	1.2 %	0.3 %	0.3 %	— %	— %	0.3 %	
	12/31/2014	— %	0.5 %	0.1 %	— %	0.2 %	0.1 %	— %	— %	0.2 %	
≥ 90 days	9/30/2015	— %	1.0 %	— %	— %	0.7 %	— %	— %	— %	0.4 %	
	12/31/2014	— %	0.9 %	— %	— %	0.9 %	— %	— %	— %	0.5 %	
Accruing loans past due 90 days or more	9/30/2015	$—	$2	$—	$—	$—	$—	$—	$—	$2	
	12/31/2014	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	9/30/2015	$—	$—	$—	$1	$4	$10	$—	$—	$15	
	12/31/2014	—	2	—	—	4	11	—	—	17	
Total construction and land development	9/30/2015	$148	$574	$197	$68	$748	$370	$36	$73	$2,214	
Total commercial real estate	9/30/2015	$1,249	$3,350	$558	$616	$2,083	$1,507	$289	$651	$10,303	100.0%

[1] No other geography exceeds $79 million for all three loan types.

[2] Delinquency rates include nonaccrual loans.

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Approximately 22% of the CRE term loans consist of mini-perm loans as of September 30, 2015. For such loans, construction has been completed and the project has stabilized to a level that supports the granting of a mini-perm loan in accordance with our underwriting standards. Mini-perm loans generally have initial maturities of three to seven years. The remaining 78% of CRE loans are term loans with initial maturities generally of 5 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and include criteria related to the cash flow generated by the project, loan-to-value ratio, and occupancy rates.

Approximately $184 million, or 13%, of the commercial construction and land development portfolio at September 30, 2015 consists of acquisition and development loans. Most of these acquisition and development loans are secured by specific retail, apartment, office, or other projects. Underwriting on commercial properties is primarily based on the economic viability of the project with heavy consideration given to the creditworthiness and experience of the sponsor. We generally require that the owner's equity be injected prior to bank advances. Remargining requirements (required equity infusions upon a decline in value of the collateral) are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected cash flows of the project are critical in the underwriting because these determine the ultimate value of the property and its ability to service debt. Therefore, in most projects (with the exception of multifamily projects) we look for substantial pre-leasing in our underwriting and we generally require a minimum projected stabilized debt service coverage ratio of 1.20 or higher, depending on the project asset class.

Within the residential construction and development sector, many of the requirements previously mentioned, such as creditworthiness and experience of the developer, up-front injection of the developer's equity, principal curtailment requirements, and the viability of the project are also important in underwriting a residential development loan. Significant consideration is given to the likely market acceptance of the product, location, strength of the developer, and the ability of the developer to stay within budget. Progress inspections by qualified independent inspectors are routinely performed before disbursements are made.

Real estate appraisals are ordered and validated independent of the loan officer and the borrower, generally by each bank's internal appraisal review function, which is staffed by licensed appraisers. In some cases, reports from automated valuation services are used. Appraisals are ordered from outside appraisers at the inception, renewal or, for CRE loans, upon the occurrence of any event causing a downgrade to an adverse grade (i.e., "criticized" or "classified"). We increase the frequency of obtaining updated appraisals for adversely graded credits when declining market conditions exist.

Advance rates (i.e., loan commitments) will vary based on the viability of the project and the creditworthiness of the sponsor, but our guidelines generally limit advances to 50% for raw land, 65% for land development, 65% for finished commercial lots, 75% for finished residential lots, 80% for pre-sold homes, 75% for models and homes not under contract, and 75% for commercial properties. Exceptions may be granted on a case-by-case basis.

Loan agreements require regular financial information on the project and the sponsor in addition to lease schedules, rent rolls and, on construction projects, independent progress inspection reports. The receipt of this financial information is monitored and calculations are made to determine adherence to the covenants set forth in the loan agreement. Additionally, loan-by-loan reviews of pass grade loans for all commercial and residential construction and land development loans are performed semiannually at all subsidiary banks except TCBW, which performs such reviews annually.

CRE loans are sometimes modified to increase the likelihood of collecting the maximum possible amount of our investment in the loan. In general, the existence of a guarantee that improves the likelihood of repayment is taken into consideration when analyzing a loan for impairment. If the support of the guarantor is quantifiable and documented, it is included in the potential cash flows and liquidity available for debt repayment and our impairment methodology takes into consideration this repayment source.

Additionally, when we modify or extend a loan, we give consideration to whether the borrower is in financial difficulty, and whether we have granted a concession. In determining if an interest rate concession has been granted, we consider whether the interest rate on the modified loan is equivalent to current market rates for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may indicate that a concession was granted and impairment exists. However, if additional collateral is obtained or if a strong guarantor exists who is believed to be able and willing to support the loan on an extended basis, we also consider the nature and amount of the additional collateral and guarantees in the ultimate determination of whether a concession has been granted.

In general, we obtain and consider updated financial information for the guarantor as part of our determination to extend a loan. The quality and frequency of financial reporting collected and analyzed varies depending on the contractual requirements for reporting, the size of the transaction, and the strength of the guarantor.

Complete underwriting of the guarantor includes, but is not limited to, an analysis of the guarantor’s current financial statements, leverage, liquidity, global cash flow, global debt service coverage, contingent liabilities, etc. The assessment also includes a qualitative analysis of the guarantor’s willingness to perform in the event of a problem and demonstrated history of performing in similar situations. Additional analysis may include personal financial statements, tax returns, liquidity (brokerage) confirmations, and other reports, as appropriate.

A qualitative assessment is performed on a case-by-case basis to evaluate the guarantor’s experience, performance track record, reputation, performance of other related projects with which we are familiar, and willingness to work with us. We also utilize market information sources, rating, and scoring services in our assessment. This qualitative analysis coupled with a documented quantitative ability to support the loan may result in a higher-quality internal loan grade, which may reduce the level of allowance we estimate. Previous documentation of the guarantor’s financial ability to support the loan is discounted if there is any indication of a lack of willingness by the guarantor to support the loan.

In the event of default, we evaluate the pursuit of any and all appropriate potential sources of repayment, which may come from multiple sources, including the guarantee. A number of factors are considered when deciding whether or not to pursue a guarantor, including, but not limited to, the value and liquidity of other sources of repayment (collateral), the financial strength and liquidity of the guarantor, possible statutory limitations (e.g., single action rule on real estate) and the overall cost of pursuing a guarantee compared to the ultimate amount we may be able to recover. In other instances, the guarantor may voluntarily support a loan without any formal pursuit of remedies.

Consumer Loans

We have mainly been an originator of first and second mortgages, generally considered to be of prime quality. Historically, our practice has been to sell “conforming” fixed-rate loans to third parties, including Fannie Mae and Freddie Mac, for which we make representations and warranties that the loans meet certain underwriting and collateral documentation standards. It has also been our practice historically to hold variable rate loans in our portfolio. We actively monitor loan “put-backs” (required repurchases of loans previously sold to Fannie Mae or Freddie Mac due to inadequate documentation or other reasons). Loan put-backs have been minimal over a multiple-year period. We estimate that we do not have any material risk as a result of either our foreclosure practices or loan put-backs and we have not established any reserves related to these items.

We are engaged in home equity credit line (“HECL”) lending. At September 30, 2015, our HECL portfolio totaled $2.3 billion. Approximately $1.2 billion of the portfolio is secured by first deeds of trust, while the remaining $1.1 billion is secured by junior liens.

As of September 30, 2015, loans representing approximately 2% of the outstanding balance in the HECL portfolio were estimated to have combined loan-to-value ratios ("CLTV") above 100%. An estimated CLTV ratio is the ratio of our loan plus any prior lien amounts divided by the estimated current collateral value. At origination, underwriting standards for the HECL portfolio generally include a maximum 80% CLTV with high credit scores at origination.

Approximately 95% of our HECL portfolio is still in the draw period, and approximately 32% is scheduled to begin amortizing within the next five years. We regularly analyze the risk of borrower default in the event of a loan becoming fully amortizing and the risk of higher interest rates. The analysis indicates that the risk of loss from this factor is minimal in the current economic environment. For the first nine months of 2015 and 2014, the annualized credit losses for the HECL portfolio were -3 bps and 6 bps, respectively. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the credit quality of this portfolio.

Nonperforming Assets

Nonperforming assets as a percentage of loans and leases and OREO increased slightly to 0.92% at September 30, 2015, compared to 0.81% at December 31, 2014.

Total nonaccrual loans at September 30, 2015 increased by $52.6 million from December 31, 2014. The increase is primarily due to increases in energy-related loans at Amegy Bank, the vast majority of which are current with payments, while other commercial and industrial loans, and commercial real estate term loans also experienced modest increases. Aside from Amegy Bank, the largest total increases in nonaccrual loans occurred at Zions Bank, NBAZ and Vectra.

The balance of nonaccrual loans can decrease due to paydowns, charge-offs, and the return of loans to accrual status under certain conditions. If a nonaccrual loan is refinanced or restructured, the new note is immediately placed on nonaccrual. If a restructured loan performs under the new terms for at least a period of six months, the loan can be considered for return to accrual status. See “Restructured Loans” following for more information. Company policy does not allow for the conversion of nonaccrual construction and land development loans to commercial real estate term loans. See Note 6 of the Notes to Consolidated Financial Statements for more information.

The following schedule sets forth our nonperforming assets:

NONPERFORMING ASSETS

(Amounts in millions)	September 30, 2015		December 31, 2014	
Nonaccrual loans [1]	$359		$307	
Other real estate owned	13		19	
Total nonperforming assets	$372		$326	
Ratio of nonperforming assets to net loans and leases[1] and other real estate owned	0.92	%	0.81	%
Accruing loans past due 90 days or more	$35		$29	
Ratio of accruing loans past due 90 days or more to loans and leases[1]	0.09	%	0.07	%
Nonaccrual loans and accruing loans past due 90 days or more	$394		$336	
Ratio of nonaccrual loans and accruing loans past due 90 days or more to loans and leases[1]	0.98	%	0.84	%
Accruing loans past due 30-89 days	$118		$86	
Nonaccrual loans current as to principal and interest payments	53.9	%	50.4	%

[1] Includes loans held for sale.

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Restructured Loans
TDRs are loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for whom we have granted a concession that we would not otherwise consider. TDRs declined 17% during the first nine months of 2015, mainly due to payments and payoffs. Commercial loans may be modified to provide the borrower more time to complete the project, to achieve a higher lease-up percentage, to sell the property, or for other reasons. Consumer loan TDRs represent loan modifications in which a concession has been granted to the borrower who is unable to refinance the loan with another lender, or who is experiencing economic hardship. Such consumer loan TDRs may include first-lien residential mortgage loans and home equity loans.

For certain TDRs, we split the loan into two new notes – an “A” note and a “B” note. The A note is structured to comply with our current lending standards at current market rates, and is tailored to suit the customer’s ability to make timely principal and interest payments. The B note includes the granting of the concession to the borrower and varies by situation. We may defer principal and interest payments on the B note until the A note has been paid in full. At the time of restructuring, the A note is identified and classified as a TDR. The B note is charged off, but the obligation is not forgiven to the borrower, and any payments collected on the B note are accounted for as recoveries. The outstanding carrying value of loans restructured using the A/B note strategy was approximately $79 million at September 30, 2015 and $112 million at December 31, 2014.

If the restructured loan performs for at least six months according to the modified terms, and an analysis of the customer’s financial condition indicates that we are reasonably assured of repayment of the modified principal and interest, the loan may be returned to accrual status. The borrower’s payment performance prior to and following the restructuring is taken into account to determine whether a loan should be returned to accrual status.

ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS

(In millions)	September 30, 2015	December 31, 2014
Restructured loans – accruing	$178	$245
Restructured loans – nonaccruing	108	98
Total	$286	$343

In the periods following the calendar year in which a loan was restructured, a loan may no longer be reported as a TDR if it is on accrual, is in compliance with its modified terms, and yields a market rate (as determined and documented at the time of the modification or restructure). Company policy requires that the removal of TDR status be approved at the same management level that approved the upgrading of a loan’s classification. See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding TDRs.

TROUBLED DEBT RESTRUCTURED LOANS ROLLFORWARD

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2015	2014	2015	2014
Balance at beginning of period	$298	$423	$343	$481
New identified TDRs and principal increases	31	17	83	71
Payments and payoffs	(27)	(53)	(115)	(125)
Charge-offs	(6)	(2)	(11)	(4)

No longer reported as TDRs	(10)	(7)	(12)	(32)
Sales and other	—	(3)	(2)	(16)
Balance at end of period	$286	$375	$286	$375

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Allowance and Reserve for Credit Losses
In analyzing the adequacy of the allowance for loan losses, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, our loan and lease portfolio is broken into segments based on loan type.

The following schedule shows the changes in the allowance for loan losses and a summary of loan loss experience:

SUMMARY OF LOAN LOSS EXPERIENCE

(Amounts in millions)	Nine Months Ended September 30, 2015	Twelve Months Ended December 31, 2014	Nine Months Ended September 30, 2014
Loans and leases outstanding (net of unearned income)	$40,113	$40,064	$39,740
Average loans and leases outstanding (net of unearned income)	$40,111	$39,523	$39,414
Allowance for loan losses:			
Balance at beginning of period	$605	$746	$746
Provision charged (credited) to earnings	17	(98)	(110)
Adjustment for FDIC-supported/PCI loans	—	(1)	(1)
Charge-offs:			
Commercial	(77)	(77)	(46)
Commercial real estate	(6)	(15)	(14)
Consumer	(10)	(14)	(10)
Total	(93)	(106)	(70)
Recoveries:			
Commercial	39	41	28
Commercial real estate	21	12	9
Consumer	8	11	8
Total	68	64	45
Net loan and lease charge-offs	(25)	(42)	(25)
Balance at end of period	$597	$605	$610
Ratio of annualized net charge-offs to average loans and leases	0.08%	0.11%	0.08%
Ratio of allowance for loan losses to net loans and leases, at period end	1.49%	1.51%	1.53%
Ratio of allowance for loan losses to nonperforming loans, at period end	166.01%	197.18%	198.64%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, at period end	151.33%	180.03%	180.56%

The total ALLL decreased slightly during the first nine months of 2015 by $8.2 million. We increased the ALLL on our energy portfolio in part due to the decline in energy prices during the third quarter. This increase was partially offset by a reduction in the ALLL elsewhere, which was due to favorable changes in credit quality outside of the energy industry.
The RULC represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in the balance sheet and any related increases or decreases in the reserve are shown separately in the statement of income. At September 30, 2015, the reserve remained stable compared to

December 31, 2014, and increased by $2.0 million from September 30, 2014.
See Note 6 of the Notes to Consolidated Financial Statements for additional information related to the ACL and credit trends experienced in each portfolio segment.

Interest Rate and Market Risk Management
Interest rate and market risk are managed centrally. The Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Company, including interest rate and market risk management. In addition, the Board establishes and periodically revises policy limits and reviews limit exceptions reported by management. The Board has established the Asset/Liability Committee ("ALCO"), consisting of members of management, to which it has delegated the responsibility of managing interest rate and market risk for the Company.

Interest Rate Risk
Interest rate risk is one of the most significant risks to which we are regularly exposed. In general, our goal in managing interest rate risk is to have net interest income increase in a rising interest rate environment. We refer to this goal as being "asset-sensitive." This approach is based on our belief that in a rising interest rate environment, the market cost of equity, or implied rate at which future earnings are discounted, would also tend to rise.

Due to the low level of rates and the natural lower bound of zero for market indices, there is limited sensitivity to falling rates at the current time, and we have tended to operate near interest rate risk "triggers" and appetites to be appropriately positioned in light of prevailing market conditions in order to maximize shareholder value. However, if interest rates remain at their current historically low levels, given our asset sensitivity, we would expect the net interest margin to be under continuing modest pressure assuming a balance sheet that is static in size. In order to mitigate this pressure and to increase holdings in HQLA securities, in 2014, we began deploying cash into short-to-medium duration agency pass-through securities. In the third quarter of 2015, we purchased HQLA securities of $1.6 billion at amortized cost, increasing HQLA securities by $1.4 billion after paydowns and payoffs during the quarter, and we are continuing these purchases. Additionally, we have increased the use of interest rate swaps designated as cash flow hedges to synthetically convert floating-rate assets to fixed-rate. Over time these actions are expected to somewhat reduce our asset sensitivity compared to previous periods, while improving current earnings.

Interest Rate Risk Measurement
We monitor interest rate risk through the use of two complementary measurement methods: net interest income simulation and Economic Value of Equity at Risk ("EVE"). In the net interest income simulation method, we analyze the expected change in net interest income in response to changes in interest rates. In the EVE method, we measure the expected changes in the fair value of equity in response to changes in interest rates.

Net interest income simulation is an estimate of the total net interest income that would be recognized under different rate environments. Net interest income is measured under several parallel and nonparallel interest rate environments and deposit repricing assumptions, taking into account an estimate of the possible exercise of embedded options within the portfolio (e.g., a borrower's ability to refinance a loan under a lower rate environment). Our policy contains a trigger for a 10% decline in rate sensitive income as well as a risk capacity of a 13% decline if rates were to immediately rise or fall in parallel by 200 bps. This trigger and risk capacity apply to both the fast and the slow deposit assumptions.

EVE is calculated as the fair value of all assets minus the fair value of liabilities. We measure changes in the dollar amount of EVE for parallel shifts in interest rates. Due to embedded optionality and asymmetric rate risk, changes in EVE can be useful in quantifying risks not apparent for small rate changes. Examples of such risks may include out-of-the-money interest rate caps (or limits) on loans, which have little effect under small rate movements but may become important if large rate changes were to occur, or substantial prepayment deceleration for low rate mortgages in a higher rate environment.

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The following schedule presents the formal EVE limits adopted by the Company. Exceptions to the EVE limits are subject to notification and approval by the ROC. In the normal course of business, the Company evaluated its limits and made changes to reflect its current balance sheet management objectives. These changes are reflected in the following schedule.

ECONOMIC VALUE OF EQUITY DECLINE LIMITS

Parallel change in interest rates	Trigger decline in EVE	Risk capacity decline in EVE
+/- 200 bps	8 %	10 %
+/- 400 bps	21 %	25 %

New Interest Rate Risk Model and Comparisons

In the first quarter of 2015, we adopted a new model to estimate the impact to net interest income and to EVE from changes in interest rates. We made the change because the new model is believed to better reflect customer behavior, particularly with regard to dynamic prepayment speeds (i.e., incrementally slower prepayment speeds on mortgages with incrementally higher interest rate changes) and deposit characteristics (i.e., faster deposit product migration to interest-bearing accounts for larger deposit balances). We ran both models in parallel for several months and members of ALCO scrutinized the results. Additionally, rigorous statistical validation of the new model was conducted prior to its adoption.

Regardless of the model used, estimating the impact on net interest income and EVE requires that we assess a number of variables and make various assumptions in managing our exposure to changes in interest rates. The assessments address deposit withdrawals and deposit product migration (e.g., customers moving money from checking accounts to certificates of deposit), competitive pricing (e.g., existing loans and deposits are assumed to roll into new loans and deposits at similar spreads relative to benchmark interest rates), loan and security prepayments, and the effects of other similar embedded options. As a result of uncertainty about the maturity and repricing characteristics of both deposits and loans, we estimate ranges of possible net interest income and EVE results under a variety of assumptions and scenarios. The modeled results are highly sensitive to the assumptions used for deposits that do not have specific maturities, such as checking, savings and money market accounts, and also to prepayment assumptions used for loans with prepayment options. We use historical regression analysis as a guide to setting such assumptions; however, due to the current low interest rate environment, which has little historical precedent, estimated deposit durations may not reflect actual future results. Additionally, competition for funding in the marketplace has and may again result in changes of deposit pricing on interest-bearing accounts that is greater or less than changes in benchmark interest rates such as LIBOR or the federal funds rate.

Under most rising interest rate environments, we would expect some customers to move balances in demand deposits to interest-bearing accounts such as money market, savings, or CDs. The models are particularly sensitive to the assumption about the rate of such migration. In order to capture the sensitivity of our models to this risk, we estimate a range of possible outcomes for interest sensitivity under “fast” and “slow” movements of client funds out of noninterest-bearing deposits and into interest-bearing sources of funds.

In addition, we assume certain correlation rates, often referred to as a “deposit beta,” of interest-bearing deposits, wherein the rates paid to customers change at a different pace when compared to changes in benchmark interest rates. Generally, certificates of deposit are assumed to have a high correlation rate, while interest-on-checking accounts are assumed to have a lower correlation rate. Actual results may differ materially due to factors including competitive pricing, money supply, credit worthiness of the Company, and so forth; however, we use our historical experience as well as industry data to inform our assumptions.

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The aforementioned migration and correlation assumptions result in deposit durations presented in the following schedule:

Product	September 30, 2015 Fast Effective duration (unchanged)	Effective duration (+200 bps)	Slow Effective duration (unchanged)	Effective duration (+200 bps)
Demand deposits	2.0 %	1.3 %	2.5 %	2.0 %
Money market	1.5 %	1.2 %	1.9 %	1.6 %
Savings and interest on checking	2.7 %	1.9 %	3.2 %	2.6 %

As of the dates indicated and incorporating the assumptions previously described, the following schedule shows our estimated percentage change in net interest income, based on a static balance sheet size, in the first year after the interest rate change if interest rates were to sustain immediate parallel changes ranging from -100 bps to +300 bps.

INCOME SIMULATION – CHANGE IN NET INTEREST INCOME

	September 30, 2015 Parallel shift in rates (in basis points)[1]				
Repricing scenario	-100	0	+100	+200	+300
Fast	(2.9)%	— %	6.8 %	12.3 %	16.5 %
Slow	(3.1)%	— %	9.6 %	18.7 %	27.2 %

1 Assumes rates cannot go below zero in the negative rate shift.

For comparative purposes, we applied the new model to the December 31, 2014 balances; these results are presented in the following schedule.

	December 31, 2014 Parallel shift in rates (in basis points)[1]				
Repricing scenario	-100	0	+100	+200	+300
Fast	(2.6)%	— %	7.8 %	14.1 %	18.7 %
Slow	(3.0)%	— %	10.7 %	20.7 %	29.6 %

1 Assumes rates cannot go below zero in the negative rate shift.

The decrease in interest rate sensitivity was driven by purchases of securities, addition of swap contracts in which we receive a fixed rate, and the previously mentioned changes in modeled demand deposit behavior.

As of the dates indicated and incorporating the assumptions previously described, the following schedule shows our estimated percentage change in EVE under parallel interest rate changes ranging from -100 bps to +300 bps.

CHANGES IN ECONOMIC VALUE OF EQUITY

	September 30, 2015				
Repricing scenario	-100 bps	0 bps	+100 bps	+200 bps	+300 bps
Fast	2.7 %	— %	1.3 %	0.7 %	(1.4)%
Slow	1.6 %	— %	4.4 %	7.3 %	8.8 %

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For comparative purposes, we applied the new model to the December 31, 2014 balances; these results are presented in the following schedule.

	December 31, 2014				
Repricing scenario	-100 bps	0 bps	+100 bps	+200 bps	+300 bps
Fast	(0.8)%	— %	2.4 %	3.1 %	2.2 %
Slow	(2.4)%	— %	5.1 %	9.0 %	11.4 %

Market Risk – Fixed Income

We engage in the underwriting and trading of municipal securities. This trading activity exposes us to a risk of loss arising from adverse changes in the prices of these fixed income securities.

At September 30, 2015, we had a relatively small amount, $74 million, of trading assets and $30 million of securities sold, not yet purchased, compared with $71 million and $24 million, at December 31, 2014.

We are exposed to market risk through changes in fair value. We are also exposed to market risk for interest rate swaps used to hedge interest rate risk. Changes in the fair value of AFS securities and in interest rate swaps that qualify as cash flow hedges are included in accumulated other comprehensive income (“AOCI”) for each financial reporting period. During the third quarter of 2015, the after-tax change in AOCI attributable to AFS and HTM securities was an increase of $11 million compared to a $26 million increase in the same prior year period.

Market Risk – Equity Investments

Through our equity investment activities, we own equity securities that are publicly traded. In addition, we own equity securities in companies and governmental entities, e.g., Federal Reserve Bank and FHLBs, that are not publicly traded. The accounting for equity investments may use the cost, fair value, equity, or full consolidation methods of accounting, depending on our ownership position and degree of involvement in influencing the investees’ affairs. Regardless of the accounting method, the value of our investment is subject to fluctuation. Because the fair value of these securities may fall below our investment costs, we are exposed to the possibility of loss. Equity investments in private and public companies are approved, monitored and evaluated by the Company’s Equity Investment Committee consisting of members of management.

We hold investments in pre-public companies through various predominantly SBIC venture capital funds. Our equity exposure to these investments was approximately $112 million at September 30, 2015 and $86 million at December 31, 2014.

Additionally, Amegy has an alternative investments portfolio. These investments are primarily directed towards equity buyout and mezzanine funds with a key strategy of deriving ancillary commercial banking business from the portfolio companies. Early stage venture capital funds are generally not a part of the strategy because the underlying companies are typically not creditworthy. The carrying value of Amegy’s equity investments was $25 million at September 30, 2015 and $38 million at December 31, 2014.

These PEIs are subject to the provisions of the Dodd-Frank Act. The Volcker Rule of the Dodd-Frank Act, as published in December 2013 and amended in January 2014, prohibits banks and bank holding companies from holding PEIs beyond July 21, 2016, as currently extended, except for SBIC funds. The FRB has announced its intention to act in 2015 to grant an additional one-year extension to July 21, 2017. As of September 30, 2015, such prohibited PEIs amounted to $24 million, with an additional $8 million of unfunded commitments (see Notes 5 and 11 of the Notes to Consolidated Financial Statements for more information). We currently do not believe that this divestiture requirement will ultimately have a material impact on our financial statements.

Our earnings from these investments, and the potential volatility of these earnings, are expected to decline over the next several years and will ultimately cease.

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Liquidity Risk Management
Liquidity risk is the possibility that our cash flows may not be adequate to fund our ongoing operations and meet our commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage our liquidity to provide adequate funds to meet our anticipated financial and contractual obligations, including withdrawals by depositors, debt and capital service requirements, and lease obligations, as well as to fund customers' needs for credit. The management of liquidity and funding is performed centrally for the Parent and jointly by the Parent and bank management for its subsidiary banks.

Consolidated cash, interest-bearing deposits held as investments, and security resell agreements at the Parent and its subsidiaries decreased to $8.3 billion at September 30, 2015 from $9.7 billion at June 30, 2015, and $9.2 billion at December 31, 2014. The $0.9 billion decrease during the first nine months of 2015 resulted primarily from (1) an increase in investment securities, (2) repayment of long-term debt, (3) net loan originations and (4) dividends on common and preferred stock. These decreases were partially offset by an increase in deposits and net cash provided by operating activities.

During the first nine months of 2015, our AFS investment securities increased by $2.2 billion. This increase was primarily due to an increase in the purchases of short-to-medium duration agency guaranteed mortgage-backed securities, partially offset by the sale of the remaining portfolio of CDOs. We have been adding to our investment portfolio during the past several quarters as a result of the need for a permanent HQLA position in light of the new LCR rules and more broadly, to manage balance sheet liquidity more effectively. We expect to continue to deploy cash and short-term investments into HQLA in the next several quarters.

During the first nine months of 2015, we made cash payments totaling $164 million for our long-term debt which matured or were redeemed and did not incur any new long-term debt during the same time period. See Note 8 for additional detail about debt redemptions and maturities during the first nine months of 2015.
Liquidity Regulation
In September 2014, U.S. banking regulators issued a final rule that implements a quantitative liquidity requirement in the U.S. generally consistent with the LCR minimum liquidity measure established under the Basel III liquidity framework. Under this rule, we are subject to a modified LCR standard, which requires a financial institution to hold an adequate amount of unencumbered HQLA that can be converted into cash easily and immediately in private markets to meet our liquidity needs for a short-term liquidity stress scenario. This rule becomes applicable to us on January 1, 2016. We have calculated that if the rule were applicable to us now, we would be in compliance with the requirement to maintain a modified LCR of at least 100%.

We are required to and are conducting monthly liquidity stress tests as of January 2015. These tests incorporate scenarios designed by us subject to review by the FRB.

The Basel III liquidity framework includes a second minimum liquidity measure, the Net Stable Funding Ratio ("NSFR"), which requires a financial institution to maintain a stable funding profile in relation to the characteristics of its on- and off-balance sheet activities. On October 31, 2014, the Basel Committee on Banking Supervision issued its final standards for this ratio, entitled Basel III: The Net Stable Funding Ratio. Based on this Basel III publication, we believe we would meet the minimum NSFR if such requirement were currently effective. However, the FRB has not yet proposed regulations to implement these Basel Committee standards. We continue to monitor these developments.

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Parent Company Liquidity
The Parent’s cash requirements consist primarily of debt service, investments in and advances to subsidiaries, operating expenses, income taxes, and dividends to preferred and common shareholders. The Parent’s cash needs are usually met through dividends from its subsidiaries, interest and investment income, subsidiaries’ proportionate share of current income taxes, and long-term debt and equity issuances.
Cash, interest-bearing deposits held as investments, and security resell agreements at the Parent were $1.1 billion at both September 30, 2015 and June 30, 2015, compared to $1.0 billion at December 31, 2014. This $0.1 billion increase resulted primarily from (1) dividends received from subsidiary banks on common and preferred stock, (2) an increase in security resell agreements, and (3) a decrease in investment securities. These increases were partially offset by debt and interest payments as well as dividends on our common and preferred stock.

At September 30, 2015, the Parent’s long-term debt maturities during the remainder of 2015 consist of $122 million carrying value of subordinated/convertible subordinated notes due on November 16, 2015. The Parent’s long-term debt maturities during 2016 consist of $89 million senior notes due on June 20, 2016.

See “Capital Management” for discussion regarding the tender offer of $180 million for certain of the Company’s preferred stock.

During the first nine months of 2015, the Parent received dividends on common stock and return of common equity totaling $125 million and dividends on preferred stock totaling $31 million from its subsidiary banks. During the first nine months of 2014, the Parent received $145 million from its subsidiaries for dividends on common stock and return of common equity and $36 million from dividends on preferred stock. The dividends that our subsidiary banks can pay to the Parent are restricted by current and historical earning levels, retained earnings, and risk-based and other regulatory capital requirements and limitations. During the first nine months of 2015, all of our subsidiary banks recorded a profit. We expect that this profitability will be sustained, thus permitting continued payments of dividends by the subsidiaries to the Parent. As discussed in Note 1 of the Notes to Consolidated Financial Statements, we have announced certain efficiency and restructuring initiatives that included, among other things, the mergers of our seven subsidiary banks into Zions Bank, whose name will be changed to ZB, N.A. The Company has received approvals from the OCC and the FDIC and expects to complete the mergers following the close of business on December 31, 2015. After completion of these mergers, the single charter bank dividend capacity to the Parent may change.
General financial market and economic conditions impact our access to, and cost of, external financing. Access to funding markets for the Parent and subsidiary banks is also directly affected by the credit ratings received from various rating agencies. The ratings not only influence the costs associated with the borrowings, but can also influence the sources of the borrowings. The debt ratings and outlooks issued by the various rating agencies for the Company did not change during the first nine months of 2015, except Moody’s upgraded the Company’s subordinated debt to Ba1 from Ba2 and revised its outlook to positive from stable. Standard & Poor’s, Fitch, Dominion Bond Rating Service, and Kroll all rate the Company’s senior debt at an investment-grade level, while Moody’s rates the Company’s senior debt as Ba1 (one notch below investment-grade). In addition, all of the previously mentioned rating agencies, except Kroll, rate the Company’s subordinated debt as noninvestment-grade.

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The following schedule presents the Parent's balance sheets as of September 30, 2015, December 31, 2014, and September 30, 2014.

PARENT ONLY CONDENSED BALANCE SHEETS

(In thousands)	September 30, 2015	December 31, 2014	September 30, 2014
ASSETS			
Cash and due from banks	$2,132	$2,023	$2,008
Interest-bearing deposits	478,136	1,007,916	872,543
Security resell agreements	650,000	—	—
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value of $0, $34,691 and $36,277)	—	17,292	17,307
Available-for-sale, at fair value	45,889	130,964	208,009
Other noninterest-bearing investments	27,512	29,091	29,164
Investments in subsidiaries:			
Commercial banks and bank holding company	7,194,426	6,995,000	6,964,420
Other operating companies	27,800	22,948	23,885
Nonoperating – ZMFU II, Inc[1]	44,948	44,792	44,808
Receivables from subsidiaries:			
Other operating companies	6,060	15,060	10,060
Other assets	78,044	106,224	190,166
	$8,554,947	$8,371,310	$8,362,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other liabilities	$122,485	$85,275	$101,944
Subordinated debt to affiliated trusts	15,464	15,464	15,464
Long-term debt:			
Due to affiliates	50	20	76
Due to others	778,853	901,021	922,727
Total liabilities	916,852	1,001,780	1,040,211
Shareholders' equity:			
Preferred stock	1,004,159	1,004,011	1,004,006
Common stock	4,756,288	4,723,855	4,717,295
Retained earnings	1,894,623	1,769,705	1,711,785
Accumulated other comprehensive loss	(16,975)	(128,041)	(110,927)
Total shareholders' equity	7,638,095	7,369,530	7,322,159
	$8,554,947	$8,371,310	$8,362,370

[1] ZMFU II, Inc. is a wholly-owned nonoperating subsidiary whose sole purpose is to hold a portfolio of municipal bonds, loans and leases.

The Parent's cash payments for interest, reflected in operating expenses, decreased to $33 million during the first nine months of 2015 from $80 million during the first nine months of 2014 due to continued maturity and repayment of debt. The Parent's cash payments for interest are expected to continue to decrease over the next several quarters as a result of scheduled debt maturities and repayments. Additionally, the Parent paid approximately $80 million and $71 million of total dividends on preferred stock and common stock for the same periods.

At September 30, 2015, maturities of the Parent's long-term senior and subordinated debt ranged from November 2015 to September 2028.

Subsidiary Bank Liquidity

The subsidiary banks' primary source of funding is their core deposits, consisting of demand, savings and money market deposits, and time deposits under $250,000. On a consolidated basis, the Company's loan to total deposit ratio decreased to 82.0% at September 30, 2015, compared to 83.7% at December 31, 2014 and 85.9% at September 30, 2014.

Total deposits increased by $1.1 billion to $48.9 billion at September 30, 2015, compared to $47.8 billion at December 31, 2014, primarily due to a $1.0 billion increase in noninterest-bearing demand deposits. This increase was partially offset by a $191 million decrease in time deposits.

The FHLB system and Federal Reserve Banks have been and are a source of back-up liquidity, and from time to time, have been a significant source of funding for each of our subsidiary banks. Zions Bank and TCBW are members of the FHLB of Seattle. CB&T, NSB, and NBAZ are members of the FHLB of San Francisco. Vectra is a member of the FHLB of Topeka and Amegy Bank is a member of the FHLB of Dallas. The FHLB allows member banks to borrow against their eligible loans to satisfy liquidity and funding requirements. The subsidiary banks are required to invest in FHLB and Federal Reserve stock to maintain their borrowing capacity. We do not believe that the subsidiary bank mergers will adversely impact bank liquidity.

At September 30, 2015, the amount available for additional FHLB and Federal Reserve borrowings was approximately $16.2 billion. The amount available for additional FHLB and Federal Reserve borrowings is not expected to decrease as a result of the subsidiary bank mergers. Loans with a carrying value of approximately $22.3 billion at September 30, 2015, $22.4 billion at June 30, 2015, and $22.5 billion at December 31, 2014, have been pledged at the Federal Reserve and various FHLBs as collateral for current and potential borrowings. During the second quarter of 2015, we repaid our outstanding $22 million of long-term borrowings with the FHLB. We had no short-term FHLB or Federal Reserve borrowings outstanding at September 30, 2015, which was unchanged from December 31, 2014. At September 30, 2015, the subsidiary banks' total investment in FHLB and Federal Reserve stock was $68 million and $123 million, respectively, compared to $104 million and $121 million at December 31, 2014.

Our investment activities can provide or use cash, depending on the asset liability management posture taken. During the first nine months of 2015, HTM and AFS investment securities' activities resulted in a net increase in investment securities and a net $2.1 billion decrease in cash, compared with a net $273 million increase in cash for the first nine months of 2014, reflecting our purchase of HQLAs.

Maturing balances in our subsidiary banks' loan portfolios also provide additional flexibility in managing cash flows. Lending and purchase activity for the first nine months of 2015 resulted in a net cash outflow of $75 million compared to a net cash outflow of $739 million for the first nine months of 2014.

A more comprehensive discussion of our liquidity management is contained in our 2014 Annual Report on Form 10-K.

Operational Risk Management

Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events. In our ongoing efforts to identify and manage operational risk, we have an Enterprise Risk Management department whose responsibility is to help employees, management and the Board of Directors to assess, understand, measure, and monitor risk in accordance with our Risk Appetite Framework. We have documented both controls and the Control Self-Assessment related to financial reporting under the 2013 framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the Federal Deposit Insurance Corporation Improvement Act of 1991.

To manage and minimize our operational risk, we have in place transactional documentation requirements; systems and procedures to monitor transactions and positions; systems and procedures to detect and mitigate attempts to commit fraud, penetrate our systems or telecommunications, access customer data, and/or deny normal access to those systems to our legitimate customers; regulatory compliance reviews; and periodic reviews by the Company’s Internal Audit and Credit Examination departments. Reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. Further, we undertake significant efforts to maintain contingency and business continuity plans for operational support in the event of natural or other disasters. We also mitigate operational risk through the purchase of insurance, including errors and omissions and professional liability insurance.

We are continually improving our oversight of operational risk, including enhancement of risk identification, risk and control self-assessments, and antifraud measures, which are reported on a regular basis to two management committees. The Operational Risk Committee reports to the Enterprise Risk Management Committee, which reports to the ROC.

The number and sophistication of attempts to disrupt or penetrate our critical systems, sometimes referred to as hacking, cyberfraud, cyberattacks, cyberterrorism, or other similar names, also continue to grow. On a daily basis, the Company, its customers, and other financial institutions are subject to a large number of such attempts. We have established systems and procedures to monitor, thwart or mitigate damage from such attempts. However, in some instances we, or our customers, have been victimized by cyberfraud (our related losses have not been material), or some of our customers have been temporarily unable to routinely access our online systems as a result of, for example, distributed denial of service attacks. We continue to review this area of our operations to help ensure that it manages this risk in an effective manner.

CAPITAL MANAGEMENT

We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence.

Capital Plan and Stress Tests

As a bank holding company with assets greater than $50 billion, we are required by the Dodd-Frank Act to participate in annual stress tests known as the Dodd-Frank Act Stress Test (“DFAST”) and Federal Reserve’s Comprehensive Capital Analysis and Review (“CCAR”). We timely submitted our 2015 capital plan and stress test results to the FRB on January 5, 2015. In our capital plan, we were required to forecast under a variety of economic scenarios for nine quarters ending the fourth quarter of 2016 our estimated regulatory capital ratios, including our tier 1 common ratio under Basel I rules, our estimated regulatory capital ratios, including our Common Equity Tier 1 (“CET1”) ratio, under Basel III rules, and our GAAP tangible common equity ratio. During the second quarter of 2015, we completed our mid-cycle capital stress test as required under DFAST. The results demonstrated that we maintained sufficient capital to withstand a severe economic downturn. Detailed disclosure of the mid-cycle stress test results can be found on the Company’s website. Under the implementing regulations for CCAR, a bank holding company may generally 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 March 11, 2015, we announced that the Federal Reserve notified us that it did not object to the capital actions outlined in our 2015 capital plan. The plan included (1) the increase of the quarterly common dividend to $0.06 per share beginning in the second quarter of 2015; (2) the continued payment of preferred dividends at the current rates; and (3) up to $300 million in total reduction of preferred equity. As previously discussed, on October 19, 2015, we announced that we will deploy $180 million of cash through a tender offer to purchase certain outstanding preferred stock and depositary shares. We expect to redeem the remaining balance of the $300 million redemption included in our capital plan during the first half of 2016; however, the method and specific timing have not yet been determined. The ultimate determination of future preferred stock reductions will depend on a number of factors, including market conditions and the receptivity of preferred investors to the terms of any preferred stock redemption offers, as well as the effect of other steps we may explore as we seek to manage our capital in light of the most recent round of stress tests, any of which could result in a reduction or delay of further preferred equity reductions. We expect to manage any further reduction of preferred equity such that total tier 1 capital does not decline materially during the period covered by our CCAR 2015 capital plan.

Basel III
The Basel III capital rules, which effectively replaced the Basel I rules, became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components). In 2013, the FRB, FDIC, and OCC published 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 Basel III capital rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company, compared to the Basel I U.S. risk-based capital rules.

Under prior Basel I capital standards, the effects of AOCI items included in capital were excluded for purposes of determining regulatory capital and capital ratios. As a "non-advanced approaches banking organization," we made a one-time permanent election as of January 1, 2015 to continue to exclude these items, as allowed under the Basel III Capital Rules.

We met all capital adequacy requirements under the Basel III Capital Rules based upon a 2015 phase-in as of September 30, 2015, and believe that we would meet all capital adequacy requirements on a fully phased-in basis if such requirements were currently effective.

A detailed discussion of Basel III requirements, including implications for the Company, is contained on page 8 in "Supervision and Regulation" under Part 1, Item 1 in our 2014 Annual Report on Form 10-K.

Capital Management Actions
Total shareholders' equity increased by $269 million to $7.6 billion at September 30, 2015 from $7.4 billion at December 31, 2014. The increase in total shareholders' equity is primarily due to net income of $207 million and to the sale of the Company's remaining portfolio of CDO securities, which was the primary driver of the $111 million increase in AOCI, partially offset by $81 million of dividends recorded on preferred and common stock.

Our quarterly dividend on common stock remained at $0.06 per share during the third quarter of 2015. The dividend rate was increased to $0.06 per share during the second quarter of 2015 from $0.04 per share paid since the second quarter of 2013. We paid $32.8 million in dividends on common stock during the first nine months of 2015, compared to $23.1 million during the first nine months of 2014. During its October 2015 meeting, the Board of Directors declared a quarterly dividend of $0.06 per common share payable on November 25, 2015 to shareholders of record on November 18, 2015.

We recorded dividends on preferred stock of $48.6 million and $56.8 million for the first nine months of 2015 and 2014, respectively. Dividends on preferred stock recorded in the first nine months of 2015 and 2014 included accruals of $1.7 million and $8.7 million, respectively. Our 2015 capital plan, to which the Federal Reserve did not object, includes the reduction of up to $300 million in preferred stock. See discussion under "Capital Plan and Stress Tests" following. On October 19, 2015, we announced the commencement of a $180 million cash tender offer to purchase certain outstanding preferred stock and depositary shares. The ultimate amount purchased will be determined by the success of the tender offer, which will expire on November 16, 2015. Depending upon the total amount and mix of series of preferred stock purchased from this offer, preferred stock dividends during 2016 may be reduced by approximately $10 million.

Capital Ratios
Banking organizations are required by capital regulations to maintain adequate levels of capital as measured by several regulatory capital ratios.

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The following schedule shows the Company's capital and performance ratios as of September 30, 2015, December 31, 2014, and September 30, 2014.

CAPITAL RATIOS

	September 30, 2015	December 31, 2014	September 30, 2014
Tangible common equity ratio	9.76 %	9.48 %	9.70 %
Tangible equity ratio	11.51 %	11.27 %	11.54 %
Average equity to average assets (three months ended)	13.11 %	13.21 %	12.87 %
Basel III risk-based capital ratios[1]:			
Common equity tier 1 capital	12.16%		
Tier 1 leverage	11.63%		
Tier 1 risk-based	14.41%		
Total risk-based	16.46%		
Basel I risk-based capital ratios:			
Tier 1 common		11.92 %	11.86 %
Tier 1 leverage		11.82 %	11.87 %
Tier 1 risk-based		14.47 %	14.43 %
Total risk-based		16.27 %	16.28 %
Return on average common equity (three months ended)	5.02 %	4.06 %	5.05 %
Tangible return on average tangible common equity (three months ended)	6.05 %	4.95 %	6.19 %

[1] Basel III capital ratios became effective January 1, 2015 and are based upon a 2015 phase-in.

At September 30, 2015, Basel III regulatory tier 1 risk-based capital and total risk-based capital was $6.7 billion and $7.6 billion, respectively. Basel I regulatory tier 1 risk-based capital and total risk-based capital at December 31, 2014 was $6.6 billion and $7.4 billion, respectively.

A more comprehensive discussion of our capital management is contained in our 2014 Annual Report on Form 10-K.

GAAP to NON-GAAP RECONCILIATIONS

1. Basel I tier 1 common capital

The Basel I capital rules were replaced by the new Basel III capital rules that became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components). The Basel III capital rules include the CET1 capital ratio, which is the core capital component of the Basel III rules and a key ratio considered by regulators, investors and analysts. The calculation of the CET1 capital ratio, as defined under Basel III rules, is considered an acceptable ratio by GAAP for financial institutions and, accordingly, does not require reconciliation to GAAP.
There is a difference in the calculation of the CET1 capital ratio under Basel III rules and the calculation of the tier 1 common ("T1C") capital ratio under Basel I rules. We present the calculation of key regulatory capital ratios, including the T1C capital ratio, using the governing definition at the end of each quarter, taking into account applicable phase-in rules.

While we were subject to Basel I capital rules prior to 2015, the Federal Reserve and other banking regulators assessed a bank's capital adequacy based on tier 1 capital, the calculation of which was codified in federal banking regulations. However, Basel I rules did not include a definition for T1C capital and thus it was considered a non-GAAP measure requiring reconciliation to GAAP. The following schedule provides a reconciliation for prior

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periods of total shareholders' equity (GAAP) to tier 1 capital (regulatory at the subject dates) and to T1C capital (non-GAAP) using Basel I U.S. regulatory treatment, and the resulting T1C capital ratio.

BASEL I TIER 1 COMMON CAPITAL (NON-GAAP)

(Amounts in millions)	December 31, 2014	September 30, 2014
Total shareholders' equity (GAAP)	$7,370	$7,322
Accumulated other comprehensive loss	128	111
Nonqualifying goodwill and intangibles	(1,040)	(1,043)
Other regulatory adjustments	(1)	(1)
Qualifying trust preferred securities	163	163
Tier 1 capital (regulatory)	6,620	6,552
Qualifying trust preferred securities	(163)	(163)
Preferred stock	(1,004)	(1,004)
Tier 1 common capital (non-GAAP)	$5,453	$5,385
Risk-weighted assets (regulatory)	$45,738	$45,409
Tier 1 common capital to risk-weighted assets (non-GAAP)	11.92 %	11.86 %

2. Tangible return on average tangible common equity

This Form 10-Q presents "tangible return on average tangible common equity" which excludes, net of tax, the amortization of core deposit and other intangibles from net earnings applicable to common shareholders, and average goodwill and core deposit and other intangibles from average common equity.

The following schedule provides a reconciliation of net earnings applicable to common shareholders (GAAP) to net earnings applicable to common shareholders, excluding net of tax, the effects of amortization of core deposit and other intangibles (non-GAAP), and average common equity (GAAP) to average tangible common equity (non-GAAP).

TANGIBLE RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in thousands)		Three Months Ended September 30, 2015	December 31, 2014	September 30, 2014
Net earnings applicable to common shareholders (GAAP)		$84,238	$66,761	$79,127
Adjustment, net of tax:				
Amortization of core deposit and other intangibles		1,461	1,676	1,690
Net earnings applicable to common shareholders, excluding the effects of the adjustment, net of tax (non-GAAP)	(a)	$85,699	$68,437	$80,817
Average common equity (GAAP)		$6,655,513	$6,521,187	$6,221,344
Average goodwill		(1,014,129)	(1,014,129)	(1,014,129)
Average core deposit and other intangibles		(19,726)	(26,848)	(29,535)
Average tangible common equity (non-GAAP)	(b)	$5,621,658	$5,480,210	$5,177,680
Number of days in quarter	(c)	92	92	92
Number of days in year	(d)	365	365	365
Tangible return on average tangible common equity (non-GAAP)	(a/b/c*d)	6.05 %	4.95 %	6.19 %

3. Total shareholders’ equity to tangible equity and tangible common equity
This Form 10-Q presents “tangible equity” and “tangible common equity” which excludes goodwill and core deposit and other intangibles for both measures and preferred stock for tangible common equity.

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The following schedule provides a reconciliation of total shareholders' equity (GAAP) to both tangible equity (non-GAAP) and tangible common equity (non-GAAP).

TANGIBLE EQUITY (NON-GAAP) AND TANGIBLE COMMON EQUITY (NON-GAAP)

(Amounts in millions)		September 30, 2015	December 31, 2014	September 30, 2014
Total shareholders' equity (GAAP)		$7,638	$7,370	$7,322
Goodwill		(1,014)	(1,014)	(1,014)
Core deposit and other intangibles		(19)	(26)	(28)
Tangible equity (non-GAAP)	(a)	6,605	6,330	6,280
Preferred stock		(1,004)	(1,004)	(1,004)
Tangible common equity (non-GAAP)	(b)	$5,601	$5,326	$5,276
Total assets (GAAP)		$58,411	$57,209	$55,459
Goodwill		(1,014)	(1,014)	(1,014)
Core deposit and other intangibles		(19)	(26)	(28)
Tangible assets (non-GAAP)	(c)	$57,378	$56,169	$54,417
Tangible equity ratio	(a/c)	11.51%	11.27%	11.54%
Tangible common equity ratio	(b/c)	9.76%	9.48%	9.70%

4. Efficiency ratio

This Form 10-Q presents an "efficiency ratio" whose calculation includes adjustments for certain line items and amounts in noninterest expense and noninterest income. The following schedule provides a reconciliation of noninterest expense (GAAP), taxable-equivalent net interest income (GAAP) and noninterest income (GAAP) to the efficiency ratio (non-GAAP).

EFFICIENCY RATIO

(Amounts in thousands)		Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Noninterest expense (GAAP)	(a)	$396,149	$438,536	$1,197,710	$1,242,626
Adjustments:					
Severance costs		3,464	4,919	7,424	6,897
Other real estate expense, net		(40)	875	(111)	2,216
Provision for unfunded lending commitments		1,428	(16,095)	313	(10,328)
Debt extinguishment cost		—	44,422	2,395	44,422
Amortization of core deposit and other intangibles		2,298	2,665	6,974	8,283
Restructuring costs		833	—	1,483	—
Total adjustments		7,983	36,786	18,478	51,490
Add-back of adjustments	(b)	(7,983)	(36,786)	(18,478)	(51,490)
Adjusted noninterest expense (non-GAAP)	(a+b)=(c)	$388,166	$401,750	$1,179,232	$1,191,136
Taxable-equivalent net interest income (GAAP)	(d)	$429,782	$420,850	$1,279,378	$1,261,357
Noninterest income (GAAP)	(e)	130,813	116,071	253,056	379,234

Adjustments:					
Fair value and nonhedge derivative income (loss)		(1,555)	44	(799)	(10,429)
Equity securities gains, net		3,630	440	11,822	3,865
Fixed income securities gains (losses), net		(53)	(13,901)	(138,728)	22,039
Total adjustments		2,022	(13,417)	(127,705)	15,475
Add-back of adjustments	(f)	(2,022)	13,417	127,705	(15,475)
Adjusted taxable-equivalent net interest income and noninterest income (non-GAAP)	(d+e+f)=(g)	$558,573	$550,338	$1,660,139	$1,625,116
Efficiency ratio	(c/g)	69.5 %	73.0 %	71.0 %	73.3 %

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For items 2, 3 and 4, the identified adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are included where applicable in financial results or in the balance sheet presented in accordance with GAAP. We consider these adjustments to be relevant to ongoing operating results and financial position.

We believe that excluding the amounts associated with these adjustments to present the non-GAAP financial measures provides a meaningful base for period-to-period and company-to-company comparisons, which will assist regulators, investors, and analysts in analyzing our operating results or financial position and in predicting future performance. These non-GAAP financial measures are used by management to assess the performance of the Company’s business or its financial position for evaluating bank reporting segment performance, for presentations of our performance to investors, and for other reasons as may be requested by investors and analysts. We further believe that presenting these non-GAAP financial measures will permit investors and analysts to assess our performance on the same basis as that applied by management.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by stakeholders to evaluate a company, they have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results reported under GAAP.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate and market risks are among the most significant risks regularly undertaken by us, and they are closely monitored as previously discussed. A discussion regarding our management of interest rate and market risk is included in the section entitled “Interest Rate and Market Risk Management” in this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2015. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2015. There were no changes in the Company’s internal control over financial reporting during the third quarter of 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 11 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

ITEM 1A. RISK FACTORS

We believe there have been no material changes in the risk factors included in Zions Bancorporation’s 2014 Annual Report on Form 10-K. However, the following is updated risk factor disclosure related to certain management actions:

We are making significant changes to the Company that include, among other things, the combination of certain of our subsidiary companies into a single entity, other organizational restructurings, efficiency initiatives, and replacement or upgrades of certain core technological systems. The ultimate success and completion of these changes, and their effect on the Company, may vary significantly from initial planning, which could materially adversely affect the Company, including its control environment, operating efficiency, and results of operations.

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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. In addition, we are implementing operational changes relating to our loan and deposit activities. These initiatives will be completed in phases to allow for appropriate testing and implementation so as to minimize time delays and cost overruns. In June of this year, the Company announced that our Board of Directors approved the consolidation of our seven subsidiary banks and our service company into a single bank. The Company also decided to make other organizational changes such as the realignment of management responsibilities and the rationalization of support functions, including accounting and risk, and back office operations. Also in June of this year, management announced certain efficiency initiatives to improve operating results and return on equity.

These changes continue to be developed and some are in their early stages. By their very nature, projections of duration, cost, expected savings, expected efficiencies, and related items are subject to change and significant variability.

We may encounter significant adverse developments in the completion and implementation of these changes. These may include significant time delays, cost overruns, loss of key people, technological problems, processing failures, and other adverse developments. Our ability to attract key employees with appropriate talent to implement these changes may also be challenged. Further, our ability to maintain an adequate control environment may be impacted. Any or all of these issues could result in disruptions to our systems, processes, controls, procedures, and employees, which may adversely impact our customers and ability to conduct business.

We have plans 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 ultimate effect 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 control environment, operating efficiency, and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
The following schedule summarizes the Company’s share repurchases for the third quarter of 2015:

SHARE REPURCHASES

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
July	545	$31.76	—	$—
August	22,176	30.83	—	—
September	1,012	28.24	—	—
Third quarter	23,733	30.74	—	

1 Represents common shares acquired from employees in connection with our stock compensation plan. Shares were acquired from employees to pay for their payroll taxes and stock option exercise cost upon the vesting of restricted stock and restricted stock units, and the exercise of stock options, under provisions of an employee share-based compensation plan.

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ITEM 6. EXHIBITS
a)Exhibits

Exhibit Number	Description	
3.1	Restated Articles of Incorporation of Zions Bancorporation dated July 8, 2014, incorporated by reference to Exhibit 3.1 of Form 8-K/A filed on July 18, 2014.	*
3.2	Restated Bylaws of Zions Bancorporation dated February 27, 2015, incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2015.	*
10.1	Sixth Amendment to Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, dated August 17, 2015 (filed herewith).	
10.2	Sixth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated August 17, 2015 (filed herewith).	
31.1	Certification by Chief Executive Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).	
31.2	Certification by Chief Financial Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith).	
32	Certification by Chief Executive Officer and Chief Financial Officer required by Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and 18 U.S.C. Section 1350 (furnished herewith).	
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014, (ii) the Consolidated Statements of Income for the three months ended September 30, 2015 and September 30, 2014 and the nine months ended September 30, 2015 and September 30, 2014, (iii) the Consolidated Statements of Comprehensive Income for the three months ended September 30, 2015 and September 30, 2014 and the nine months ended September 30, 2015 and September 30, 2014, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2015 and September 30, 2014, (v) the Consolidated Statements of Cash Flows for the three months ended September 30, 2015 and September 30, 2014 and the nine months ended September 30, 2015 and September 30, 2014, and (vi) the Notes to Consolidated Financial Statements (filed herewith).	

* Incorporated by reference

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ZIONS BANCORPORATION

/s/ Harris H. Simmons
Harris H. Simmons, Chairman and
Chief Executive Officer

/s/ Paul E. Burdiss
Paul E. Burdiss, Executive Vice President and Chief Financial Officer
Date: November 6, 2015