ZIONS BANCORPORATION /UT/
Form 10-Q
August 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

COMMISSION FILE NUMBER 001-12307

ZIONS BANCORPORATION

(Exact name of registrant as specified in its charter)

UTAH	**87-0227400**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

ONE SOUTH MAIN, 15TH FLOOR

SALT LAKE CITY, UTAH	**84133**
(Address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

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

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

Common Stock, without par value, outstanding at July 29, 2011	184,304,666 shares

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ZIONS BANCORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2011 (Unaudited)	**December 31, 2010**	**June 30, 2010 (Unaudited)**
ASSETS			
Cash and due from banks	$ 1,035,028	$ 924,126	$ 1,068,755
Money market investments:			
Interest-bearing deposits	4,924,992	4,576,008	4,861,871
Federal funds sold and security resell agreements	123,132	130,305	103,674
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value $762,998, $788,354, and $802,370)	829,702	840,642	852,606
Available-for-sale, at fair value	4,084,963	4,205,742	3,416,448
Trading account, at fair value	51,152	48,667	85,707
	4,965,817	5,095,051	4,354,761
Loans held for sale	158,943	206,286	189,376
Loans:			
Loans and leases excluding FDIC-supported loans	36,092,361	35,896,395	36,920,355
FDIC-supported loans	853,937	971,377	1,208,362
	36,946,298	36,867,772	38,128,717
Less:			
Unearned income and fees, net of related costs	122,721	120,341	125,779
Allowance for loan losses	1,237,733	1,440,341	1,563,753
Loans and leases, net of allowance	35,585,844	35,307,090	36,439,185
Other noninterest-bearing investments	858,678	858,367	866,970
Premises and equipment, net	722,600	720,985	705,372
Goodwill	1,015,161	1,015,161	1,015,161
Core deposit and other intangibles	77,346	87,898	100,425
Other real estate owned	238,990	299,577	413,336
Other assets	1,654,883	1,814,032	2,028,409
	$ 51,361,414	$ 51,034,886	$ 52,147,295
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing demand	$ 14,475,383	$ 13,653,929	$ 14,071,456
Interest-bearing:			
Savings and NOW	6,555,306	6,362,138	6,030,986
Money market	14,948,065	15,090,833	15,562,664
Time under $100,000	1,782,573	1,941,211	2,155,366

Time $100,000 and over	1,992,836	2,232,238	2,509,479
Foreign	1,437,067	1,654,651	1,683,925
	41,191,230	40,935,000	42,013,876
Securities sold, not yet purchased	42,709	42,548	81,511
Federal funds purchased and security repurchase agreements	630,058	722,258	892,025
Other short-term borrowings	147,945	166,394	218,589
Long-term debt	1,879,669	1,942,622	1,934,410
Reserve for unfunded lending commitments	100,264	111,708	96,795
Other liabilities	456,448	467,142	488,987
Total liabilities	44,448,323	44,387,672	45,726,193
Shareholders equity:			
Preferred stock, without par value, authorized 4,400,000 shares	2,329,370	2,056,672	1,806,877
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,311,290, 182,784,086, and 173,331,281 shares	4,158,369	4,163,619	3,964,140
Retained earnings	931,345	889,284	1,083,845
Accumulated other comprehensive income (loss)	(504,491)	(461,296)	(433,020)
Controlling interest shareholders equity	6,914,593	6,648,279	6,421,842
Noncontrolling interests	(1,502)	(1,065)	(740)
Total shareholders equity	6,913,091	6,647,214	6,421,102
	$ 51,361,414	$ 51,034,886	$ 52,147,295

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Interest income:				
Interest and fees on loans	$ 523,741	$ 547,662	$ 1,041,898	$ 1,095,298
Interest on money market investments	3,199	2,601	6,042	4,040
Interest on securities:				
Held-to-maturity	9,009	11,300	17,673	19,193
Available-for-sale	22,179	21,518	44,455	44,210
Trading account	538	657	990	1,132
Total interest income	558,666	583,738	1,111,058	1,163,873
Interest expense:				
Interest on deposits	34,257	52,753	70,741	108,829
Interest on short-term borrowings	1,783	3,486	3,963	6,553
Interest on long-term debt	106,454	114,153	196,326	179,845
Total interest expense	142,494	170,392	271,030	295,227
Net interest income	416,172	413,346	840,028	868,646
Provision for loan losses	1,330	228,663	61,330	494,228
Net interest income after provision for loan losses	414,842	184,683	778,698	374,418
Noninterest income:				
Service charges and fees on deposit accounts	42,878	51,909	87,408	103,517
Other service charges, commissions and fees	43,958	43,395	85,643	82,437
Trust and wealth management income	7,179	7,021	13,933	14,630
Capital markets and foreign exchange	8,358	10,733	15,572	19,272
Dividends and other investment income	17,239	8,879	25,267	16,579
Loan sales and servicing income	9,836	5,617	15,849	12,049
Fair value and nonhedge derivative income (loss)	4,195	(1,552)	5,415	636
Equity securities losses, net	(1,636)	(1,500)	(739)	(4,665)
Fixed income securities gains (losses), net	(2,396)	530	(2,455)	1,786
Impairment losses on investment securities:				
Impairment losses on investment securities	(6,339)	(19,557)	(9,444)	(68,127)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	1,181	1,497	1,181	18,804
Net impairment losses on investment securities	(5,158)	(18,060)	(8,263)	(49,323)
Gain on subordinated debt exchange				14,471
Other	3,896	2,441	24,862	5,634
Total noninterest income	128,349	109,413	262,492	217,023

Noninterest expense:				
Salaries and employee benefits	222,138	205,776	437,148	410,109
Occupancy, net	27,588	27,822	55,598	56,310
Furniture and equipment	26,153	25,703	51,815	50,699
Other real estate expense	17,903	42,444	42,070	75,092
Credit related expense	17,124	17,658	32,037	34,483
Provision for unfunded lending commitments	(1,904)	483	(11,444)	(19,650)
Legal and professional services	8,432	8,887	15,121	18,863
Advertising	5,962	5,772	12,873	12,146
FDIC premiums	15,232	26,438	39,333	50,648
Amortization of core deposit and other intangibles	4,855	6,414	10,556	12,991
Other	72,773	62,958	139,524	117,790
Total noninterest expense	416,256	430,355	824,631	819,481
Income (loss) before income taxes	126,935	(136,259)	216,559	(228,040)
Income taxes (benefit)	54,325	(22,898)	91,358	(51,542)
Net income (loss)	72,610	(113,361)	125,201	(176,498)
Net income (loss) applicable to noncontrolling interests	(265)	(368)	(491)	(3,295)
Net income (loss) applicable to controlling interest	72,875	(112,993)	125,692	(173,203)
Preferred stock dividends	(43,837)	(25,342)	(81,887)	(51,653)
Preferred stock redemption		3,107		3,107
Net earnings (loss) applicable to common shareholders	$ 29,038	$ (135,228)	$ 43,805	$ (221,749)
Weighted average common shares outstanding during the period:				
Basic shares	182,472	161,810	182,092	156,471
Diluted shares	182,728	161,810	182,365	156,471
Net earnings (loss) per common share:				
Basic	$ 0.16	$ (0.84)	$ 0.24	$ (1.42)
Diluted	0.16	(0.84)	0.24	(1.42)

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share amounts)		Common stock			Accumulated other comprehensive		Total
	Preferred stock	Shares	Amount	Retained earnings	income (loss)	Noncontrolling interests	shareholders equity
Balance at December 31, 2010	$ 2,056,672	182,784,086	$ 4,163,619	$ 889,284	$ (461,296)	$ (1,065)	$ 6,647,214
Comprehensive income:							
Net gain (loss) for the period				125,692		(491)	125,201
Other comprehensive income (loss), net of tax:							
Net realized and unrealized holding losses on investments					(36,060)		
Reclassification for net losses on investments included in earnings					6,590		
Noncredit-related impairment losses on securities not expected to be sold					(729)		
Accretion of securities with noncredit-related impairment losses not expected to be sold					99		
Net unrealized losses on derivative instruments					(13,095)		
Other comprehensive loss					(43,195)		(43,195)
Total comprehensive income							82,006
Subordinated debt converted to preferred stock	262,062		(37,744)				224,318
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		459,664	7,446				7,446
Dividends on preferred stock	10,636			(81,887)			(71,251)
Dividends on common stock, $0.02 per share				(3,653)			(3,653)
Change in deferred compensation				1,909			1,909
Other changes in noncontrolling interests						54	54
Balance at June 30, 2011	$ 2,329,370	184,311,290	$ 4,158,369	$ 931,345	$ (504,491)	$ (1,502)	$ 6,913,091
Balance at December 31, 2009	$ 1,502,784	150,425,070	$ 3,318,417	$ 1,308,356	$ (436,899)	$ 17,599	$ 5,710,257
Comprehensive loss:							
Net loss for the period				(173,203)		(3,295)	(176,498)
Other comprehensive income (loss), net of tax:							
Net realized and unrealized holding gains on investments					4,880		
Reclassification for net losses on investments included in earnings					29,341		
Noncredit-related impairment losses on securities not expected to be sold					(11,612)		
Accretion of securities with noncredit-related impairment losses not expected to be sold					70		
Net unrealized losses on derivative instruments					(18,737)		
Pension and postretirement					(63)		
Other comprehensive income					3,879		3,879
Total comprehensive loss							(172,619)

Subordinated debt converted to preferred stock	160,270		(22,612)				137,658
Issuance of preferred stock	142,500		(3,830)				138,670
Preferred stock exchanged for common stock	(8,615)	224,903	5,508	3,107			
Issuance of common stock warrants			179,020				179,020
Subordinated debt exchanged for common stock		2,165,391	46,902				46,902
Issuance of common stock		20,037,657	432,900				432,900
Net activity under employee plans and related tax benefits		478,260	7,835				7,835
Dividends on preferred stock	9,938			(51,653)			(41,715)
Dividends on common stock, $0.02 per share				(3,146)			(3,146)
Change in deferred compensation				384			384
Other changes in noncontrolling interests						(15,044)	(15,044)
Balance at June 30, 2010	$ 1,806,877	173,331,281	$ 3,964,140	$ 1,083,845	$ (433,020)	$ (740)	$ 6,421,102

Total comprehensive income (loss) for the three months ended June 30, 2011 and 2010 was $67,282 and $(118,240), respectively.

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	$ 72,610	$ (113,361)	$ 125,201	$ (176,498)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Net impairment losses on investment securities	5,158	18,060	8,263	49,323
Gain on subordinated debt exchange				(14,471)
Provision for credit losses	(574)	229,146	49,886	474,578
Depreciation and amortization	105,790	96,262	195,596	142,516
Deferred income tax expense (benefit)	33,913	(15,795)	87,703	(51,958)
Net decrease (increase) in trading securities	5,397	(35,009)	(2,485)	(62,164)
Net decrease (increase) in loans held for sale	41,041	(14,242)	69,512	10,739
Net write-down of and losses from sales of other real estate owned	14,363	38,146	34,113	65,258
Change in other liabilities	29,928	1,920	(6,896)	338,695
Change in other assets	41,334	(112,227)	59,488	(8,854)
Other, net	(2,734)	(4,887)	(4,934)	(8,607)
Net cash provided by operating activities	346,226	88,013	615,447	758,557
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in short-term investments	(291,604)	(1,437,786)	(341,811)	(4,234,040)
Proceeds from maturities and paydowns of investment securities held-to-maturity	12,923	58,055	42,031	84,706
Purchases of investment securities held-to-maturity	(21,316)	(7,502)	(26,809)	(30,386)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	277,419	152,406	579,669	562,167
Purchases of investment securities available-for-sale	(238,577)	(139,336)	(518,463)	(335,884)
Proceeds from sales of loans and leases	16,182	57,197	17,264	92,360
Net loan and lease collections (originations)	(492,134)	500,702	(536,945)	1,289,579
Proceeds from surrender of bank-owned life insurance contracts		175,632		175,632
Net decrease (increase) in other noninterest-bearing investments	5,522	(3,059)	10,318	13,554
Net purchases of premises and equipment	(19,295)	(17,038)	(39,480)	(32,587)
Proceeds from sales of other real estate owned	95,036	131,896	186,877	237,877
Net cash used in investing activities	(655,844)	(528,833)	(627,349)	(2,177,022)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	598,817	(81,816)	256,275	175,605
Net change in short-term funds borrowed	(190,675)	11,998	(110,583)	241,422
Proceeds from issuance of long-term debt	30,250	22,768	30,250	62,466
Repayments of long-term debt	(175)	(65,293)	(331)	(65,436)
Proceeds from the issuance of preferred stock, common stock, and common stock warrants	195	600,814	25,407	750,722
Dividends paid on common and preferred stock	(40,303)	(21,979)	(74,904)	(44,861)

Other, net	(2,603)	(2,308)	(3,310)	(2,887)
Net cash provided by financing activities	395,506	464,184	122,804	1,117,031
Net increase (decrease) in cash and due from banks	85,888	23,364	110,902	(301,434)
Cash and due from banks at beginning of period	949,140	1,045,391	924,126	1,370,189
Cash and due from banks at end of period	$ 1,035,028	$ 1,068,755	$ 1,035,028	$ 1,068,755
Cash paid for interest	$ 51,039	$ 89,653	$ 142,320	$ 192,325
Net cash paid (refund received) for income taxes	536	28,181	428	(324,572)

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 2011

1. BASIS OF PRESENTATION

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

Operating results for the three- and six-month periods ended June 30, 2011 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2010 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s 2010 Annual Report on Form 10-K.

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

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income.* This new accounting guidance under ASC 220, *Comprehensive Income*, provides more convergence to International Financial Reporting Standards (IFRS) and no longer allows presentation of other comprehensive income (OCI) in the statement of changes in shareholders equity. Companies may present OCI in a continuous statement of comprehensive income or in a separate statement consecutive to the statement of income. For public entities, the new guidance is effective on a retrospective basis for interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact this new guidance will have on the disclosures in the Company s financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This new accounting guidance under ASC 820, *Fair Value Measurement*, also provides more convergence to IFRS and amends fair value measurement and disclosure guidance. Among other things, new disclosures will be required for qualitative information and sensitivity analysis regarding Level 3 measurements. For public entities, the new guidance is effective for interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact this new guidance will have on the disclosures in the Company s financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

In April 2011, the FASB issued ASU 2011-03, *Reconsideration of Effective Control for Repurchase Agreements*. The primary feature of this new accounting guidance under ASC 860, *Transfers and Servicing*, relates to the criteria that determine whether a sale or a secured borrowing occurred based on the transferor s maintenance of effective control over the transferred financial assets. The new guidance focuses on the transferor s contractual rights and obligations with respect to the transferred financial assets and not on the transferor s ability to perform under those rights and obligations. Accordingly, the collateral maintenance requirement is eliminated by ASU 2011-3 from the assessment of effective control. The new guidance will take effect prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted. Management is currently evaluating the impact this new guidance may have on the Company s financial statements.

Additional recent accounting pronouncements are discussed where applicable in the Notes to Consolidated Financial Statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2011	**2010**	**2011**	**2010**
Loans transferred to other real estate owned	$ 85,129	$ 179,667	$ 174,658	$ 340,692
Beneficial conversion feature transferred from common stock to preferred stock as a result of subordinated debt conversions	23,139	19,034	37,744	22,612
Subordinated debt exchanged for common stock				46,902
Subordinated debt converted to preferred stock	134,468	116,624	224,318	137,658

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ZIONS BANCORPORATION AND SUBSIDIARIES

4. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	June 30, 2011						
		Recognized in OCI [1]			Not recognized in OCI		
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$ 567,354	$	$	$ 567,354	$ 9,545	$ 2,204	$ 574,695
Asset-backed securities:							
Trust preferred securities banks and insurance	263,622		23,749	239,873	320	67,183	173,010
Other	26,145		3,770	22,375	466	7,648	15,193
Other debt securities	100			100			100
	$ 857,221	$	$ 27,519	$ 829,702	$ 10,331	$ 77,035	$ 762,998
Available-for-sale							
U.S. Treasury securities	$ 705,586	$ 473	$	$ 706,059			$ 706,059
U.S. Government agencies and corporations:							
Agency securities	176,823	6,642	119	183,346			183,346
Agency guaranteed mortgage-backed securities	598,401	16,149	256	614,294			614,294
Small Business Administration loan-backed securities	1,020,849	6,658	10,135	1,017,372			1,017,372
Municipal securities	135,819	2,829	474	138,174			138,174
Asset-backed securities:							
Trust preferred securities banks and insurance	1,860,088	13,397	774,996	1,098,489			1,098,489
Trust preferred securities real estate investment trusts	40,260		21,129	19,131			19,131
Auction rate securities	92,103	445	1,444	91,104			91,104
Other	69,926	1,232	17,684	53,474			53,474
	4,699,855	47,825	826,237	3,921,443			3,921,443
Mutual funds and stock	163,414	106		163,520			163,520
	$ 4,863,269	$ 47,931	$ 826,237	$ 4,084,963			$ 4,084,963

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ZIONS BANCORPORATION AND SUBSIDIARIES

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

[1] *The gross unrealized losses recognized in OCI on held-to-maturity (HTM) securities primarily resulted from a transfer of available-for-sale (AFS) securities to HTM in 2008.*

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of June 30, 2011 by expected maturity distribution for structured asset-backed security collateralized debt obligations (ABS CDOs) and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

(In thousands)	Held-to-maturity	Available-for-sale

	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	$ 52,731	$ 53,321	$ 1,046,949	$ 1,039,966
Due after one year through five years	225,208	222,660	976,937	934,725
Due after five years through ten years	167,983	157,162	759,044	669,828
Due after ten years	411,299	329,855	1,916,925	1,276,924
	$ 857,221	$ 762,998	$ 4,699,855	$ 3,921,443

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

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(In thousands)	June 30, 2011 Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 196	$ 9,756	$ 2,008	$ 23,628	$ 2,204	$ 33,384
Asset-backed securities:						
Trust preferred securities banks and insurance			90,932	173,010	90,932	173,010
Other			11,418	15,193	11,418	15,193
	$ 196	$ 9,756	$ 104,358	$ 211,831	$ 104,554	$ 221,587
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$ 95	$ 10,176	$ 24	$ 936	$ 119	$ 11,112
Agency guaranteed mortgage-backed securities	256	69,019			256	69,019
Small Business Administration loan-backed securities	5,362	406,522	4,773	218,718	10,135	625,240
Municipal securities	367	14,040	107	2,561	474	16,601
Asset-backed securities:						
Trust preferred securities banks and insurance	4,801	70,453	770,195	838,552	774,996	909,005
Trust preferred securities real estate investment trusts			21,129	19,131	21,129	19,131
Auction rate securities	1,444	53,786			1,444	53,786
Other	12	25,065	17,672	20,368	17,684	45,433
	$ 12,337	$ 649,061	$ 813,900	$ 1,100,266	$ 826,237	$ 1,749,327

(In thousands)	June 30, 2010 Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 56	$ 11,439	$ 2,677	$ 30,070	$ 2,733	$ 41,509
Asset-backed securities:						
Trust preferred securities banks and insurance			75,141	189,810	75,141	189,810
Other			12,527	17,704	12,527	17,704
	$ 56	$ 11,439	$ 90,345	$ 237,584	$ 90,401	$ 249,023
Available-for-sale						
U.S. Treasury securities	$ 2	$ 25,994	$	$	$ 2	$ 25,994
U.S. Government agencies and corporations:						
Agency securities	61	8,425	39	1,544	100	9,969
Agency guaranteed mortgage-backed securities	24	5,177	7	932	31	6,109
Small Business Administration loan-backed securities	1,849	84,692	10,261	438,242	12,110	522,934
Municipal securities	414	13,839	21	1,150	435	14,989
Asset-backed securities:						
Trust preferred securities banks and insurance	1,085	13,923	722,357	905,642	723,442	919,565

Trust preferred securities real estate investment trusts			29,097	23,493	29,097	23,493
Auction rate securities	155	10,314	247	18,030	402	28,344
Other	735	2,739	26,130	69,121	26,865	71,860
	$ 4,325	$ 165,103	$ 788,159	$ 1,458,154	$ 792,484	$ 1,623,257

At June 30, 2011 and 2010, respectively, 58 and 86 HTM and 526 and 562 AFS investment securities were in an unrealized loss position.

We conduct a formal review of investment securities under ASC 320, *Investments Debt and Equity Securities*, on a quarterly basis for the presence of other-than-temporary impairment (OTTI). We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the

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balance sheet date. Under these circumstances, OTTI is considered to have occurred if (1) we intend to sell the security; (2) it is more likely than not we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. The more likely than not criteria is a lower threshold than the probable criteria under previous guidance.

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

Our 2010 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation for those security types that have significant gross unrealized losses at June 30, 2011:

Municipal securities

The HTM securities are purchased directly from the municipalities and are generally not rated by a credit rating agency. The AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair value changes of these securities are largely driven by interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, no OTTI was recorded for these securities at June 30, 2011.

Asset-backed securities

Trust preferred securities banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities related to banks and insurance companies (collateral issuers). They are rated by one or more Nationally Recognized Statistical Rating Organizations (NRSROs), which are rating agencies registered with the Securities and Exchange Commission (SEC). They were purchased generally at par. The primary drivers that have given rise to the unrealized losses on CDOs with bank collateral are listed below:

i. Market yield requirements for bank CDO securities remain very high. The credit crisis resulted in significant utilization of both the unique five-year deferral option each collateral issuer maintains during the life of the CDO and the ability of junior bonds to defer the payment of current interest. The resulting increase in the rate of return demanded by the market for trust preferred CDOs remains dramatically higher than the effective interest rates. All structured product fair values, including bank CDOs, deteriorated significantly during the credit crisis, generally reaching a low in mid-2009. Prices for some structured products, other than bank CDOs, have since rebounded as the crucial unknowns related to value became resolved and as trading increased in these securities. Unlike these other structured products, CDO tranches backed by bank trust preferred securities continue to have unresolved questions surrounding collateral behavior, specifically including, but not limited to, the future number, size and timing of bank failures, and of allowed deferrals and subsequent resumption of payment of contractual interest.

ii. Structural features of the collateral make these CDO tranches difficult for market participants to model. The first feature unique to bank CDOs is the interest deferral feature previously discussed. During the credit crisis starting in 2008, certain banks within our CDO pools have exercised this prerogative. The extent to which these deferrals either transition to default or alternatively come current prior to the five-year deadline is extremely difficult for market participants to assess. Our

CDO pools include banks which first exercised this deferral option in the second quarter of 2008. A few of these banks have already come current after a period of deferral, while others are still deferring but remain within the allowed deferral period.

A second structural feature that is difficult to model is the payment in kind (PIK) feature which provides that upon reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the interest amount that is unpaid be capitalized or deferred. The cash flow that would otherwise be paid to the junior CDO securities and the income notes is instead used to pay down the principal balance of the most senior CDO securities. If the current market yield required by market participants equaled the effective interest rate of a security, a market participant should be indifferent between receiving current interest and capitalizing and compounding interest for later payment. However, given the difference between current market rates and effective interest rates of the securities, market participants are not indifferent. The delay in payment caused by PIKing results in lower security fair values even if PIKing is projected to be fully cured. This feature is difficult to model and assess. It increases the risk premium the market applies to these securities.

iii. Ratings are generally below-investment-grade for even some of the most senior tranches. Rating agency opinions can vary significantly on a CDO tranche. The presence of a below-investment-grade rating by even a single rating agency will severely limit the pool of buyers, which causes greater illiquidity and therefore most likely a higher implicit discount rate/lower price with regard to that CDO tranche.

iv. There is a lack of consistent disclosure by each CDO s trustee of the identity of collateral issuers; in addition, complex structures make projecting tranche return profiles difficult for non-specialists in the product.

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

Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at June 30, 2011.

Trust preferred securities real estate investment trusts (REITs): These CDO securities are variable rate pools of trust preferred securities primarily related to REITs, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit, collateral deterioration, widening of credit spreads for ABS securities, and general illiquidity in the CDO market. Based on our review, no OTTI was recorded for these securities at June 30, 2011.

Other asset-backed securities: Most of these CDO securities were purchased in 2009 from Lockhart Funding LLC at their carrying values and were then adjusted to fair value. Certain of these CDOs consist of ABS CDOs (also known as diversified structured finance CDOs). Unrealized losses since acquisition were caused mainly by deterioration in collateral quality, widening of credit spreads for asset backed securities, and ratings downgrades of the underlying residential mortgage-backed securities (RMBS) collateral. Our ongoing review of these securities in accordance with the previous discussion determined that OTTI should be recorded at June 30, 2011.

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U.S. Government agencies and corporations

Small Business Administration (SBA) loan-backed securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, no OTTI was recorded for these securities at June 30, 2011.

The following is a tabular rollforward of the total amount of credit-related OTTI, including amounts recognized in earnings:

(In thousands)		**Three Months Ended June 30, 2011**			**Six Months Ended June 30, 2011**	
	HTM	**AFS**	**Total**	**HTM**	**AFS**	**Total**
Balance of credit-related OTTI at beginning of period	$ (5,357)	$ (312,353)	$ (317,710)	$ (5,357)	$ (335,682)	$ (341,039)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]						
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]		(5,158)	(5,158)		(8,263)	(8,263)
Subtotal of amounts recognized in earnings		(5,158)	(5,158)		(8,263)	(8,263)
Reductions for securities sold during the period		27,302	27,302		53,736	53,736
Balance of credit-related OTTI at end of period	$ (5,357)	$ (290,209)	$ (295,566)	$ (5,357)	$ (290,209)	$ (295,566)

(In thousands)		**Three Months Ended June 30, 2010**			**Six Months Ended June 30, 2010**	
	HTM	**AFS**	**Total**	**HTM**	**AFS**	**Total**
Balance of credit-related OTTI at beginning of period	$ (5,218)	$ (300,502)	$ (305,720)	$ (5,206)	$ (269,251)	$ (274,457)
Additions recognized in earnings during the period:						
Credit-related OTTI not previously recognized [1]					(866)	(866)
Credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis [2]	(139)	(17,921)	(18,060)	(151)	(48,306)	(48,457)
Subtotal of amounts recognized in earnings	(139)	(17,921)	(18,060)	(151)	(49,172)	(49,323)
Reductions for securities sold during the period						
Balance of credit-related OTTI at end of period	$ (5,357)	$ (318,423)	$ (323,780)	$ (5,357)	$ (318,423)	$ (323,780)

[1] *Relates to securities not previously impaired.*
[2] *Relates to additional impairment on securities previously impaired.*

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

purposes.

The amounts of noncredit-related OTTI recognized in OCI that are included in the statements of income related to AFS securities for all periods presented.

During the three and six months ended June 30, nontaxable interest income on securities was $5.4 million and $11.2 million in 2011, and $6.9 million and $14.0 million in 2010, respectively.

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

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income:

(In thousands)	Three Months Ended June 30, 2011		Three Months Ended June 30, 2010		Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Gross gains	**Gross losses**	**Gross gains**	**Gross losses**	**Gross gains**	**Gross losses**	**Gross gains**	**Gross losses**
Investment securities:								
Held-to-maturity	$ 71	$	$	$ 139	$ 117	$	$	$ 151
Available-for-sale	4,063	11,688	530	17,921	7,582	18,417	1,814	49,200
Other noninterest-bearing investments:								
Nonmarketable equity securities		1,636	2,002	3,504	1,067	1,636	4,074	8,741
Other			2		1	171	2	
	4,134	13,324	2,534	21,564	8,767	20,224	5,890	58,092
Net losses		$ (9,190)		$ (19,030)		$ (11,457)		$ (52,202)
Statement of income information:								
Net impairment losses on investment securities		$ (5,158)		$ (18,060)		$ (8,263)		$ (49,323)
Equity securities losses, net		(1,636)		(1,500)		(739)		(4,665)
Fixed income securities gains (losses), net		(2,396)		530		(2,455)		1,786
Net losses		$ (9,190)		$ (19,030)		$ (11,457)		$ (52,202)

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

Securities with a carrying value of $1.4 billion and $1.7 billion at June 30, 2011 and 2010, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, requires certain additional disclosures under ASC 310, *Receivables*, which became effective at December 31, 2010. Certain other disclosures were required beginning March 31, 2011 and relate to additional detail for the rollforward of the allowance for credit losses and for impaired loans. The new guidance is incorporated in the following discussion. It relates only to financial statement disclosures and does not affect the Company s financial condition or results of operations.

Additional accounting guidance and disclosures for troubled debt restructurings (TDRs) will be required for the Company beginning September 30, 2011 in accordance with ASU 2011-02, *A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. ASU 2011-02 was issued April 5, 2011 and supersedes the deferral granted by ASU 2011-01 of the effective date of disclosures about TDRs which were included in ASU 2010-20. ASU 2011-02 provides criteria to evaluate if a TDR exists based on whether (1) the restructuring constitutes a concession by the creditor and (2) the debtor is experiencing financial difficulty. Management is currently evaluating the impact this new guidance may have on the Company s financial statements.

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Loans and Loans Held for Sale

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

(In thousands)	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Loans held for sale	$ 158,943	$ 206,286	$ 189,376
Commercial:			
Commercial and industrial	9,573,444	9,167,001	9,149,305
Leasing	405,532	410,174	441,424
Owner occupied	8,426,563	8,217,363	8,334,169
Municipal	449,414	438,985	321,105
Total commercial	18,854,953	18,233,523	18,246,003
Commercial real estate:			
Construction and land development	2,757,589	3,499,103	4,483,873
Term	7,721,827	7,649,494	7,567,132
Total commercial real estate	10,479,416	11,148,597	12,051,005
Consumer:			
Home equity credit line	2,139,527	2,141,740	2,138,687
1-4 family residential	3,801,428	3,499,149	3,548,866
Construction and other consumer real estate	308,222	343,257	379,421
Bankcard and other revolving plans	280,185	296,936	285,397
Other	228,630	233,193	270,976
Total consumer	6,757,992	6,514,275	6,623,347
FDIC-supported loans	853,937	971,377	1,208,362
Total loans	$ 36,946,298	$ 36,867,772	$ 38,128,717

FDIC-supported loans were acquired during 2009 and are indemnified by the FDIC under loss sharing agreements. The FDIC-supported loan balances presented in the accompanying schedules include purchased loans accounted for under ASC 310-30 at their carrying values rather than their outstanding balances. See subsequent discussion under purchased loans.

Owner occupied and commercial real estate loans include unamortized premiums of approximately $80.5 million at June 30, 2011 and $88.4 million at December 31, 2010.

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

Loans with a carrying value of approximately $20.9 billion at June 30, 2011 and $20.4 billion at December 31, 2010 have been made available for pledging at the Federal Reserve and various FHLBs as collateral for current and potential borrowings.

We sold loans totaling $392 million and $850 million for the three and six months ended June 30, 2011 that were previously classified as loans held for sale. Amounts added to loans held for sale during these same periods were $353 million and $788 million. Income from loans sold, excluding servicing, for these same periods was $9.1 million and $14.3 million.

Allowance for Credit Losses

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

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

The methodologies we use to estimate the ALLL depend upon the impairment status and portfolio segment of the loan. For the commercial and commercial real estate segments, we use a comprehensive loan grading system to assign probability of default and loss given default grades to each loan. The credit quality indicators discussed subsequently are based on this grading system. Probability of default and loss given default grades are based on both financial and statistical models and loan officers judgment. We create groupings of these grades for each subsidiary bank and loan class and calculate historic loss rates using a loss migration analysis that attributes historic realized losses to historic loan grades over the time period of the loss migration analysis, ranging from the previous 6 to 60 months.

For the consumer loan segment, we use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which consumer loans migrate from one delinquency bucket to the next worse delinquency bucket, and eventually to loss. We estimate roll rates for consumer loans using recent delinquency and loss experience. These roll rates are then applied to current delinquency levels to estimate probable inherent losses.

For FDIC-supported loans purchased with evidence of credit deterioration, we determine the ALLL according to ASC 310-30. The accounting for these loans, including the allowance calculation, is described in the purchased loans section following.

After applying historic loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria. We track various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. Primary qualitative factors that may not be reflected in our quantitative models include:

- Asset quality trends
- Risk management and loan administration practices
- Risk identification practices
- Effect of changes in the nature and volume of the portfolio
- Existence and effect of any portfolio concentrations
- National economic and business conditions
- Regional and local economic and business conditions

Data availability and applicability

We review changes in these factors to ensure that changes in the level of the ALLL are consistent with changes in these factors. The magnitude of the impact of each of these factors on our qualitative assessment of the ALLL changes from quarter to quarter according to the extent these factors are already reflected in historic loss rates and according to the extent these factors diverge from one another. We also consider the

uncertainty inherent in the estimation process when evaluating the ALLL.

Reserve for Unfunded Lending Commitments: The Company also estimates a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. We determine the RULC using the same procedures and methodologies that we use for the ALLL. The loss factors used in the RULC are the same as the loss factors used in the ALLL, and the qualitative adjustments used in the RULC are the same as the qualitative adjustments used in the ALLL. We adjust the Company s unfunded lending commitments that are not unconditionally cancelable to an outstanding amount equivalent using credit conversion factors and we apply the loss factors to the outstanding equivalents.

Changes in ACL Assumptions: During the second quarter of 2011, we did not change any assumptions in our loss migration model that we use to estimate the ALLL and RULC for the commercial and commercial real estate segments. During the first quarter of 2011, we changed certain assumptions in our loss migration model by expanding the loss look-back periods for the commercial and commercial real estate segments to include losses as far back as 60 months. Prior to the first quarter of 2011, we used loss migration models based on the most recent 18 months of loss data to estimate probable losses for the portions of the segments that were collectively evaluated for impairment. The expansion of the look-back periods to a maximum of 60 months during the first quarter of 2011 increased the quantitative portion of the ACL by approximately $63 million as of March 31, 2011 over what it would have been had the previous assumptions been used. We considered these assumption changes in assessing our qualitative adjustments to the ACL. The change was made so we could continue to capture the inherent risks in the portfolio, as we believe the high level of loss severity rates that occurred during the longer periods are still relevant to estimating probable inherent losses in those segments. Our quantitative models serve as the starting point for our estimation of the appropriate level of the ACL, and therefore we utilize the qualitative portion of the ACL to capture these risks not captured in the quantitative models.

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

(In thousands)	Three Months Ended June 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Balance at beginning of period	$ 694,090	$ 480,514	$ 148,110	$ 27,086	$ 1,349,800
Additions:					
Provision for loan losses	9,825	(33,567)	21,990	3,082	1,330
Change in allowance covered by FDIC indemnification				(1,228)	(1,228)
Deductions:					
Gross loan and lease charge-offs	(49,673)	(64,811)	(23,611)	(4,349)	(142,444)
Net charge-offs recoverable from FDIC				1,066	1,066
Recoveries	13,404	10,716	3,284	1,805	29,209
Net loan and lease charge-offs	(36,269)	(54,095)	(20,327)	(1,478)	(112,169)
Balance at end of period	$ 667,646	$ 392,852	$ 149,773	$ 27,462	$ 1,237,733
Reserve for unfunded lending commitments:					
Balance at beginning of period	$ 74,429	$ 26,300	$ 1,439	$	$ 102,168
Provision charged (credited) to earnings	653	(2,448)	(109)		(1,904)
Balance at end of period	$ 75,082	$ 23,852	$ 1,330	$	$ 100,264
Total allowance for credit losses:					
Allowance for loan losses	$ 667,646	$ 392,852	$ 149,773	$ 27,462	$ 1,237,733
Reserve for unfunded lending commitments	75,082	23,852	1,330		100,264
Total allowance for credit losses	$ 742,728	$ 416,704	$ 151,103	$ 27,462	$ 1,337,997

(In thousands)	Six Months Ended June 30, 2011				
	Commercial	Commercial real estate	Consumer	FDIC-supported	Total
Allowance for loan losses:					
Balance at beginning of period	$ 761,107	$ 487,235	$ 154,326	$ 37,673	$ 1,440,341
Additions:					
Provision for loan losses	(9,900)	28,295	37,946	4,989	61,330
Change in allowance covered by FDIC indemnification				(10,276)	(10,276)
Deductions:					
Gross loan and lease charge-offs	(109,056)	(138,191)	(49,932)	(13,233)	(310,412)
Net charge-offs recoverable from FDIC				5,600	5,600
Recoveries	25,495	15,513	7,433	2,709	51,150

Net loan and lease charge-offs	(83,561)	(122,678)	(42,499)	(4,924)	(253,662)
Balance at end of period	$ 667,646	$ 392,852	$ 149,773	$ 27,462	$ 1,237,733
Reserve for unfunded lending commitments:					
Balance at beginning of period	$ 83,352	$ 26,373	$ 1,983	$	$ 111,708
Provision credited to earnings	(8,270)	(2,521)	(653)		(11,444)
Balance at end of period	$ 75,082	$ 23,852	$ 1,330	$	$ 100,264
Total allowance for credit losses:					
Allowance for loan losses	$ 667,646	$ 392,852	$ 149,773	$ 27,462	$ 1,237,733
Reserve for unfunded lending commitments	75,082	23,852	1,330		100,264
Total allowance for credit losses	$ 742,728	$ 416,704	$ 151,103	$ 27,462	$ 1,337,997

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

(In thousands)	June 30, 2011				
	Commercial	**Commercial real estate**	**Consumer**	**FDIC-supported**	**Total**
Allowance for loan losses:					
Individually evaluated for impairment	$ 33,145	$ 23,754	$ 8,236	$ 560	$ 65,695
Collectively evaluated for impairment	634,501	369,098	141,537	18,955	1,164,091
Purchased loans with evidence of credit deterioration				7,947	7,947
Total	$ 667,646	$ 392,852	$ 149,773	$ 27,462	$ 1,237,733
Outstanding loan balances:					
Individually evaluated for impairment	$ 484,147	$ 842,376	$ 116,373	$ 4,861	$ 1,447,757
Collectively evaluated for impairment	18,370,806	9,637,040	6,641,619	714,548	35,364,013
Purchased loans with evidence of credit deterioration				134,528	134,528
Total	$ 18,854,953	$ 10,479,416	$ 6,757,992	$ 853,937	$ 36,946,298

(In thousands)	December 31, 2010				
	Commercial	**Commercial real estate**	**Consumer**	**FDIC-supported**	**Total**
Allowance for loan losses:					
Individually evaluated for impairment	$ 53,237	$ 37,545	$ 6,335	$	$ 97,117
Collectively evaluated for impairment	707,870	449,690	147,991	30,684	1,336,235
Purchased loans with evidence of credit deterioration				6,989	6,989
Total	$ 761,107	$ 487,235	$ 154,326	$ 37,673	$ 1,440,341
Outstanding loan balances:					
Individually evaluated for impairment	$ 544,243	$ 1,003,402	$ 137,928	$	$ 1,685,573
Collectively evaluated for impairment	17,689,280	10,145,195	6,376,347	791,587	35,002,409
Purchased loans with evidence of credit deterioration				179,790	179,790
Total	$ 18,233,523	$ 11,148,597	$ 6,514,275	$ 971,377	$ 36,867,772

Nonaccrual and Past Due Loans

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

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

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears

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

Nonaccrual loans are summarized as follows:

(In thousands)	June 30, 2011	December 31, 2010	June 30, 2010
Loans held for sale	$ 17,282	$	$
Commercial:			
Commercial and industrial	$ 186,792	$ 224,499	$ 317,558
Leasing	635	801	8,161
Owner occupied	314,047	342,467	437,984
Municipal	5,861	2,002	
Total commercial	507,335	569,769	763,703
Commercial real estate:			
Construction and land development	343,843	493,445	743,832
Term	233,073	264,305	281,537
Total commercial real estate	576,916	757,750	1,025,369
Consumer:			
Home equity credit line	12,244	14,047	13,280
1-4 family residential	109,126	124,470	136,148
Construction and other consumer real estate	16,397	23,719	19,957
Bankcard and other revolving plans	702	958	533
Other	3,302	2,156	3,323
Total consumer loans	141,771	165,350	173,241
FDIC-supported loans	30,414	35,837	171,764
Total	$ 1,256,436	$ 1,528,706	$ 2,134,077

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

(In thousands)	June 30, 2011						
	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$ 151,723	$ 225	$ 6,995	$ 7,220	$ 158,943	$	$ 10,288
Commercial:							
Commercial and industrial	$ 9,410,066	$ 62,114	$ 101,264	$ 163,378	$ 9,573,444	$ 2,576	$ 68,432
Leasing	404,582	776	174	950	405,532	70	402
Owner occupied	8,160,101	75,449	191,013	266,462	8,426,563	2,954	105,076
Municipal	449,414				449,414		5,861
Total commercial	18,424,163	138,339	292,451	430,790	18,854,953	5,600	179,771
Commercial real estate:							
Construction and land development	2,530,175	36,236	191,178	227,414	2,757,589	4,795	124,586
Term	7,570,166	51,130	100,531	151,661	7,721,827	2,463	119,144
Total commercial real estate	10,100,341	87,366	291,709	379,075	10,479,416	7,258	243,730
Consumer:							
Home equity credit line	2,124,276	8,693	6,558	15,251	2,139,527		2,950
1-4 family residential	3,701,321	26,017	74,090	100,107	3,801,428	4,467	32,234
Construction and other consumer real estate	295,684	5,971	6,567	12,538	308,222	696	9,526
Bankcard and other revolving plans	276,053	2,752	1,380	4,132	280,185	1,123	262
Other	223,545	3,260	1,825	5,085	228,630	51	323
Total consumer loans	6,620,879	46,693	90,420	137,113	6,757,992	6,337	45,295
FDIC-supported loans	722,443	21,602	109,892	131,494	853,937	89,554	9,994
Total	$ 35,867,826	$ 294,000	$ 784,472	$ 1,078,472	$ 36,946,298	$ 108,749	$ 478,790

(In thousands)	December 31, 2010						
	Current	30-89 days past due	90+ days past due	Total past due	Total loans	Accruing loans 90+ days past due	Nonaccrual loans that are current [1]
Loans held for sale	$ 206,286	$	$	$	$ 206,286	$	$
Commercial:							
Commercial and industrial	$ 8,938,120	$ 100,119	$ 128,762	$ 228,881	$ 9,167,001	$ 7,533	$ 77,406
Leasing	408,015	1,352	807	2,159	410,174	66	23
Owner occupied	7,905,193	83,658	228,512	312,170	8,217,363	3,876	91,527
Municipal	438,985				438,985		2,002

Total commercial	17,690,313	185,129	358,081	543,210	18,233,523	11,475	170,958
Commercial real estate:							
Construction and land development	3,172,537	57,891	268,675	326,566	3,499,103	1,916	200,864
Term	7,436,222	85,595	127,677	213,272	7,649,494	4,757	112,447
Total commercial real estate	10,608,759	143,486	396,352	539,838	11,148,597	6,673	313,311
Consumer:							
Home equity credit line	2,126,505	7,494	7,741	15,235	2,141,740		2,224
1-4 family residential	3,383,420	26,345	89,384	115,729	3,499,149	2,966	34,425
Construction and other consumer real estate	322,341	8,261	12,655	20,916	343,257	532	10,089
Bankcard and other revolving plans	290,879	3,912	2,145	6,057	296,936	1,572	311
Other	227,654	4,586	953	5,539	233,193		959
Total consumer loans	6,350,799	50,598	112,878	163,476	6,514,275	5,070	48,008
FDIC-supported loans	804,760	27,256	139,361	166,617	971,377	118,760	15,136
Total	$ 35,454,631	$ 406,469	$ 1,006,672	$ 1,413,141	$ 36,867,772	$ 141,978	$ 547,413

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

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Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using a loan grading system. We generally assign internal grades to loans with commitments less than $500,000 based on the performance of those loans. Performance-based grades follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

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

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

Special Mention: A Special Mention asset has potential weaknesses that may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the bank is currently protected and loss is considered unlikely and not imminent.

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

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

We generally assign internal grades to commercial and commercial real estate loans with commitments equal to or greater than $500,000 based on financial/statistical models and loan officer judgment. For these larger loans, we assign one of fourteen probability of default grades (in order of declining credit quality) and one of twelve loss-given-default grades. The first ten of the fourteen probability of default grades indicate a Pass grade. The remaining four grades are: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged-off. We review our credit quality information such as risk grades at least quarterly for non-Pass grade loans, and at least semiannually for Pass grade loans, or as soon as we identify information that might warrant an upgrade or downgrade. Risk grades are then updated as necessary.

For consumer loans, we generally assign internal risk grades similar to those described above based on payment performance. These are generally assigned with either a Pass or Substandard grade and are reviewed as we identify information that might warrant an upgrade or downgrade.

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

(In thousands)	June 30, 2011					
	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$ 141,661	$	$ 10,287	$ 6,995	$ 158,943	$
Commercial:						
Commercial and industrial	$ 8,784,534	$ 264,026	$ 499,517	$ 25,367	$ 9,573,444	
Leasing	397,994	941	6,597		405,532	
Owner occupied	7,588,779	176,149	657,529	4,106	8,426,563	
Municipal	436,218	3,893	9,303		449,414	
Total commercial	17,207,525	445,009	1,172,946	29,473	18,854,953	$ 667,646
Commercial real estate:						
Construction and land development	1,753,066	341,172	661,875	1,476	2,757,589	
Term	6,924,690	250,106	542,702	4,329	7,721,827	
Total commercial real estate	8,677,756	591,278	1,204,577	5,805	10,479,416	392,852
Consumer:						
Home equity credit line	2,090,691	3,611	45,181	44	2,139,527	
1-4 family residential	3,626,711	8,273	164,576	1,868	3,801,428	
Construction and other consumer real estate	285,067	649	22,032	474	308,222	
Bankcard and other revolving plans	266,515	4,038	9,624	8	280,185	
Other	222,386	408	5,825	11	228,630	
Total consumer loans	6,491,370	16,979	247,238	2,405	6,757,992	149,773
FDIC-supported loans	561,282	48,617	244,017	21	853,937	27,462
Total	$ 32,937,933	$ 1,101,883	$ 2,868,778	$ 37,704	$ 36,946,298	$ 1,237,733

(In thousands)	December 31, 2010					
	Pass	Special Mention	Sub-standard	Doubtful	Total loans	Total allowance
Loans held for sale	$ 206,286	$	$	$	$ 206,286	$
Commercial:						
Commercial and industrial	$ 8,234,515	$ 254,369	$ 658,400	$ 19,717	$ 9,167,001	
Leasing	395,081	1,170	13,923		410,174	
Owner occupied	7,358,189	147,562	705,128	6,484	8,217,363	
Municipal	436,983		2,002		438,985	
Total commercial	16,424,768	403,101	1,379,453	26,201	18,233,523	$ 761,107

Commercial real estate:						
Construction and land development	1,921,110	470,431	1,093,772	13,790	3,499,103	
Term	6,768,022	252,814	624,196	4,462	7,649,494	
Total commercial real estate	8,689,132	723,245	1,717,968	18,252	11,148,597	487,235
Consumer:						
Home equity credit line	2,098,365	855	42,349	171	2,141,740	
1-4 family residential	3,313,875	7,274	177,963	37	3,499,149	
Construction and other consumer real estate	310,209	3,424	29,176	448	343,257	
Bankcard and other revolving plans	282,353	4,535	10,040	8	296,936	
Other	226,832	111	6,038	212	233,193	
Total consumer loans	6,231,634	16,199	265,566	876	6,514,275	154,326
FDIC-supported loans	646,476	45,431	278,044	1,426	971,377	37,673
Total	$ 31,992,010	$ 1,187,976	$ 3,641,031	$ 46,755	$ 36,867,772	$ 1,440,341

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Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. If a nonaccrual loan has a balance greater than $500,000 or if a loan is a TDR, we consider the loan to be impaired and estimate a specific reserve for the loan according to ASC 310. Smaller nonaccrual loans are pooled for ALLL estimation purposes. Our consideration of impairment also incorporates the same determining factors discussed previously under nonaccrual loans.

When loans are impaired, we estimate the amount of the balance that is impaired and assign a specific reserve to the loan based on the estimated present value of the loan s future cash flows discounted at the loan s effective interest rate, the observable market price of the loan, or the fair value of the loan s underlying collateral less the cost to sell. When we base the impairment amount on the fair value of the loan s underlying collateral, we generally charge off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. Payments are recognized when cash is received.

Information on impaired loans is summarized as follows, including the average recorded investment and interest income recognized for the three and six months ended June 30, 2011:

(In thousands)	June 30, 2011					Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
		Recorded investment							
	Unpaid principal balance	with no allowance	with allowance	Total recorded investment	Related allowance	Average recorded investment	Interest income recognized	Average recorded investment	Interest income recognized
Commercial:									
Commercial and industrial	$ 189,957	$ 105,075	$ 75,680	$ 180,755	$ 19,693	$ 191,826	$ 496	$ 201,990	$ 1,140
Leasing	373	373		373		129		66	
Owner occupied	297,554	192,975	104,183	297,158	13,452	300,560	777	312,113	1,432
Municipal	5,861	5,861		5,861		5,898		2,949	
Total commercial	493,745	304,284	179,863	484,147	33,145	498,413	1,273	517,118	2,572
Commercial real estate:									
Construction and land development	472,107	376,602	94,884	471,486	8,983	489,695	1,212	536,495	2,574
Term	370,953	219,942	150,948	370,890	14,771	393,803	1,717	407,506	4,299
Total commercial real estate	843,060	596,544	245,832	842,376	23,754	883,498	2,929	944,001	6,873
Consumer:									
Home equity credit line	810	810		810		708		1,332	1
1-4 family residential	120,352	65,731	35,209	100,940	7,538	105,397	310	107,666	624
Construction and other consumer real estate	10,694	4,760	5,934	10,694	698	10,778	8	13,382	22
Bankcard and other revolving plans						10		31	
Other	3,929	3,929		3,929		3,932		3,829	

Total consumer loans	135,785	75,230	41,143	116,373	8,236	120,825	318	126,240	647
FDIC-supported loans	386,816	56,859	82,530	139,389	8,507	148,272	14,217[1]	161,557	28,503[1]
Total	$ 1,859,406	$ 1,032,917	$ 549,368	$ 1,582,285	$ 73,642	$ 1,651,008	$ 18,737	$ 1,748,916	$ 38,595

[1] *Interest income recognized results primarily from accretion on impaired FDIC-supported loans.*

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(In thousands)	December 31, 2010				
	Unpaid principal balance	Recorded investment with no allowance	Recorded investment with allowance	Total recorded investment	Related allowance
Commercial:					
Commercial and industrial	$ 293,699	$ 95,316	$ 114,959	$ 210,275	$ 38,021
Leasing					
Owner occupied	404,146	233,418	98,548	331,966	14,743
Municipal	2,002		2,002	2,002	473
Total commercial	699,847	328,734	215,509	544,243	53,237
Commercial real estate:					
Construction and land development	804,080	478,181	118,663	596,844	16,964
Term	475,239	251,745	154,813	406,558	20,581
Total commercial real estate	1,279,319	729,926	273,476	1,003,402	37,545
Consumer:					
Home equity credit line	4,135	3,152	630	3,782	180
1-4 family residential	136,381	91,721	23,811	115,532	5,456
Construction and other consumer real estate	24,931	16,682	1,369	18,051	465
Bankcard and other revolving plans	30		30	30	30
Other	628		533	533	204
Total consumer loans	166,105	111,555	26,373	137,928	6,335
FDIC-supported loans	547,566	131,680	48,110	179,790	6,989
Total	$ 2,692,837	$ 1,301,895	$ 563,468	$ 1,865,363	$ 104,106

Modified and Restructured Loans

Loans may be modified in the normal course of business for competitive reasons or to strengthen the Company s position. Loan modifications and restructurings may also occur when the borrower experiences financial difficulty and needs temporary or permanent relief from the original contractual terms of the loan. These modifications are structured on a loan-by-loan basis, and depending on the circumstances, may include extended payment terms, a modified interest rate, forgiveness of principal, or other concessions. When this occurs, the loan may be considered a TDR.

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

Concentrations of Credit Risk

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to an individual borrower or group(s) of borrowers as a result of any concentrations of credit risk. Such credit risks (whether on- or off-balance sheet) may occur when groups of borrowers or counterparties have similar economic characteristics and are similarly affected by changes in economic or other conditions. Credit

risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to

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perform as contracted. Our analysis as of June 30, 2011 has concluded that no significant exposure exists from such credit risks. See Note 6 for a discussion of counterparty risk associated with the Company s derivative transactions.

Purchased Loans

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

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

During the first quarter of 2011, certain FDIC-supported loans charged off at the time of acquisition were determined by the FDIC to be covered under the loss sharing agreement. The FDIC remitted $18.9 million to the Company, which was recognized in other noninterest income.

Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. The acquired foreclosed assets and subsequent real estate foreclosures were included with other real estate owned in the balance sheet and amounted to $44.0 million at June 30, 2011, $40.0 million at December 31, 2010, and $48.4 million at June 30, 2010.

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

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

(In thousands)	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Commercial	$ 351,626	$ 413,783	$ 482,329
Commercial real estate	655,330	746,206	977,450
Consumer	63,705	79,393	92,265
Outstanding balance	$ 1,070,661	$ 1,239,382	$ 1,552,044
Carrying amount	$ 769,218	$ 877,857	$ 1,092,714
ALLL	25,524	35,123	25,648
Carrying amount, net	$ 743,694	$ 842,734	$ 1,067,066

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

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considered in estimating the expected cash flows.

Changes in the accretable yield are as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Balance at beginning of period	$ 271,736	$ 155,894	$ 277,005	$ 161,976
Accretion	(31,247)	(25,418)	(62,690)	(43,095)
Reclassification from nonaccretable difference	2,520	123,202	25,912	128,256
Disposals and other	(810)	(1,450)	1,972	5,091
Balance at end of period	$ 242,199	$ 252,228	$ 242,199	$ 252,228

Over the life of the loan or pool, we continue to estimate cash flows expected to be collected. We evaluate at the balance sheet date whether the estimated present value of these loans using the effective interest rates has decreased below their carrying value, and if so, we record a provision for loan losses. The present value of any subsequent increase in these loans actual or expected cash flows is used first to reverse any existing ALLL. During the three and six months ended June 30, 2011, total reversals to the ALLL were $4.8 million and $9.0 million, respectively, which included the impact of increases in estimated cash flows. Reversals to the ALLL did not occur during the six months ended June 30, 2010.

For any remaining increases in cash flows expected to be collected, we increase the amount of accretable yield on a prospective basis over the remaining life of the loan and recognize this increase in interest income. The primary driver of reclassifications to accretable yield from nonaccretable difference related to the enhanced economic status of borrowers whose financial stress is diminishing or was not as severe as originally evaluated.

Additionally, with respect to FDIC-supported loans, when changes in expected cash flows occur, to the extent applicable, we adjust the amount recoverable from the FDIC (also referred to as the FDIC indemnification asset) through a charge or credit (depending on whether there was an increase or decrease in expected cash flows) to other noninterest expense. The FDIC indemnification asset is included in other assets in the balance sheet.

For the three and six months ended June 30, 2011, the impact of the increased cash flow estimates recognized in the statement of income was approximately $21.5 million and $40.7 million, respectively, of additional interest income and $15.0 million and $28.1 million, respectively, of additional noninterest expense, due to the reduction of the FDIC indemnification asset. Amounts for the corresponding periods in 2010 were not material.

The determination of the ALLL for FDIC-supported loans follows the same process described previously. However, this allowance is only established for credit deterioration subsequent to the date of acquisition and represents our estimate of the inherent losses in excess of the book value of FDIC-supported loans. The allowance for loan losses for loans acquired in FDIC-supported transactions is determined without giving consideration to the amounts recoverable through loss sharing agreements (since the loss sharing agreements are separately accounted for and thus presented gross in the balance sheet). The ALLL is included in the overall ALLL in the balance sheet. The provision for loan losses is reported net of changes in the amounts recoverable under the loss sharing agreements.

Certain acquired loans within the scope of ASC 310-30 are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. As allowed under ASC 310-30 in these circumstances, interest income is recognized on a cash basis similar to the cost recovery

methodology used for nonaccrual loans. The carrying amounts in the preceding table also include the amounts for these loans. The net carrying amount of these loans was approximately $53.5 million at June 30, 2011, $78.3 million at December 31, 2010, and $162.5 million at June 30, 2010.

During the three and six months ended June 30, we increased the ALLL for FDIC-supported loans by a gross charge to the provision for loan losses of $2.9 million and $0.3 million in 2011, and $11.7 million and $28.8 million in 2010, respectively. As described subsequently and in accordance with the loss sharing agreements, portions of these provision amounts are recoverable from the FDIC and comprise part of the FDIC indemnification asset. Charge-offs, net of recoveries and before FDIC indemnification, for the three and six months ended June 30 were $2.5 million and $10.5 million in 2011, and $0.8 million and $3.1 million in 2010, respectively.

Changes in the FDIC indemnification asset are as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Balance at beginning of period	$ 172,170	$ 275,781	$ 195,516	$ 293,308
Amounts filed with the FDIC and collected or in process	(6,404)	(31,612)	(12,911)	(61,139)
Net change in asset balance due to reestimation of projected cash flows [1]	(15,209)	1,344	(32,048)	13,344
Other [2]		(1,689)		(1,689)
Balance at end of period	$ 150,557	$ 243,824	$ 150,557	$ 243,824

[1] *Negative amounts result from the accretion of loan balances based on increases in cash flow estimates on the underlying indemnified loans.*
[2] *Amount represents one reimbursement that was denied by the FDIC. Otherwise, all other reimbursements have been paid in a timely manner.*

The amount of the FDIC indemnification asset was initially recorded at fair value using projected cash flows based on credit adjustments for each loan class and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect our expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity. The amount is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing agreements are updated. Estimated loan losses, if any, in excess of the amounts recoverable are reflected as period expenses through the provision for loan losses.

6. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We record all derivatives on the balance sheet at fair value in accordance with ASC 815, *Derivatives and Hedging*. Note 9 discusses the determination of fair value for derivatives, except for the Company s total return swap which is discussed subsequently. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives used to manage the exposure to credit risk, which can include total return swaps, are considered credit derivatives. When put in place after purchase of the asset(s) to be protected, these derivatives generally may not be designated as accounting hedges. See discussion following regarding the total return swap.

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

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

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

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

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

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

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

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Selected information with respect to notional amounts and recorded gross fair values at June 30, 2011 and 2010, and the related gain (loss) of derivative instruments for the three and six months then ended is summarized as follows:

(In thousands)		Fair value		Amount of derivative gain (loss) recognized/reclassified							
				OCI		Reclassified from AOCI to interest income		Noninterest income		Offset to interest expense	
	Notional amount	Other assets	Other liabilities	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended
	June 30, 2011			June 30, 2011		June 30, 2011		June 30, 2011		June 30, 2011	
Derivatives designated as hedging instruments under ASC 815											
Asset derivatives											
Cash flow hedges [1]:											
Interest rate swaps	$ 470,000	$ 14,746	$	$ 1,474	$ 1,492	$ 8,979	$ 21,419				
Interest rate floors	95,000	237		179	183	889	1,686				
Terminated swaps and floors								$	$		
	565,000	14,983		1,653	1,675	9,868	23,105		[3]		
Liability derivatives											
Fair value hedges:											
Terminated swaps on long-term debt										$ 732	$ 1,451
Total derivatives designated as hedging instruments	565,000	14,983		1,653	1,675	9,868	23,105			732	1,451
Derivatives not designated as hedging instruments under ASC 815											
Interest rate swaps	148,234	2,571	2,612					(13)	(76)		
Interest rate swaps for customers [2]	2,355,540	59,863	63,460					(205)	1,327		
Energy commodity swaps for customers [2]									56		
Basis swaps	150,000	53						62	149		
Futures contracts	5,910,000							5,537	4,778		
Options contracts	2,200,000	539						(521)	502		
Total return swap	1,159,686		5,420								
Total derivatives not designated as hedging instruments	11,923,460	63,026	71,492					4,860	6,736		

Total derivatives	$ 12,488,460	$ 78,009	$ 71,492	$ 1,653	$ 1,675	$ 9,868	$ 23,105	$ 4,860	$ 6,736	$ 732	$ 1,451

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

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

[1] *Amounts recognized in OCI and reclassified from accumulated OCI (AOCI) represent the effective portion of the derivative gain (loss).*

[2] *Amounts include both the customer swaps and the offsetting derivative contracts.*

[3] *Amounts for the six months ended June 30, 2011 and 2010 of $0 and $6,588, respectively, which reflect the acceleration of OCI amounts reclassified to income that related to previously terminated hedges, together with the reclassification amounts of $23,105 and $35,199, or a total of $23,105 and $41,787, respectively, are the amounts of reclassification included in the changes in OCI presented in Note 7.*

At June 30, the fair values of derivative assets and liabilities were reduced (increased) by net credit valuation adjustments of $3.2 million and $(0.4) million in 2011, and $5.3 million and $(0.4) million in 2010, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk.

Fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) have been offset against recognized fair value amounts of derivatives executed with the same counterparty under a master netting arrangement. In the balance sheet, cash collateral was used to reduce recorded amounts of derivative assets and liabilities by $0 and $2.4 million at June 30, 2011, and $1.5 million and $1.8 million at June 30, 2010, respectively.

We offer to our customers interest rate swaps and, through the third quarter of 2010, energy commodity swaps to assist them in managing their exposure to fluctuating interest rates and energy prices. Upon issuance, all of these customer swaps are immediately hedged by offsetting derivative contracts, such that

the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

Futures and options contracts primarily consist of: (1) Eurodollar futures contracts that allow us to extend the duration of certain overnight cash account balances. These contracts reference the 90-day London Interbank Offer Rate (LIBOR) rate. Options contracts are used to economically hedge certain rate exposures of the underlying Eurodollar futures contracts. (2) Highly liquid federal funds futures contracts that are traded to manage interest rate risk on certain CDO securities. These identified mixed straddle contracts are executed to convert primarily three- and six-month fixed cash flows into cash flows that vary with daily fluctuations in interest rates. The accounts for both types of futures contracts are cash settled daily.

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

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following June 30, 2011, we estimate that an additional $21 million will be reclassified.

Total Return Swap

On July 28, 2010, we entered into a total return swap and related interest rate swaps (TRS) with Deutsche Bank AG (DB) relating to a portfolio of $1.16 billion notional amount of our bank and insurance trust preferred CDOs. As a result of the TRS, DB assumed all of the credit risk of this CDO portfolio, providing timely payment of all scheduled payments of interest and principal when contractually due to the Company (without regard to acceleration or deferral events). Contractual due dates for principal are at each individual security s maturity, which ranges from 2030 to 2042. We can cancel the TRS quarterly beginning on October 28, 2011 and remove individual securities on or after the end of the sixth year. Additionally, with the consent of DB, we can transfer the TRS to a third party in part or in whole. DB cannot cancel the TRS except in the event of nonperformance by the Company and under certain other circumstances customary to ISDA swap agreements.

This transfer of credit risk reduced the Company s regulatory capital risk weighting for these investments. The underlying securities were originally rated primarily A and BBB but later downgraded, and carry some of the highest risk-weightings of the securities in the Company s portfolio. In contrast, claims which are unconditionally guaranteed by banks belonging to the Organisation for Economic Co-operation and Development (OECD) such as DB are risk-weighted at only 20%. As a result, the transaction reduced regulatory risk-weighted assets and improved the Company s risk-based capital ratios.

This transaction did not qualify for hedge accounting and did not change the accounting for the underlying securities, including the quarterly analysis of OTTI and OCI. As a result, future potential OTTI, if any, associated with the underlying securities may not be offset by any valuation adjustment on the swap in the quarter in which OTTI is recognized and OTTI changes could result in reductions in our regulatory capital ratios, which could be material.

During the third quarter of 2010, we recorded a negative initial value for the TRS of $22.8 million and structuring costs of $11.6 million. The negative initial value was approximately equal to the first-year fees we incurred for the TRS (that is, during the period we are unable to cancel the transaction). The fair value of

the TRS derivative liability was $5.4 million at June 30, 2011 and $15.9 million at December 31, 2010.

Both the fair value of the securities and the fair value of the TRS are dependent upon the projected credit-adjusted cash flows of the securities. The period that we are unable to cancel the transaction has shortened to and will remain at one calendar quarter. Accordingly, absent major changes in these projected cash flows, we expect the value of the TRS liability to continue to approximate its June 30, 2011 fair value. We expect to incur subsequent net quarterly costs of approximately $5.3 million under the TRS, including related interest rate swaps and scheduled payments of interest on the underlying CDOs, as long as the TRS remains in place for this CDO portfolio. The payments under the transaction generally include or arise from (1) payments by DB to the Company of all scheduled payments of interest and principal when contractually due to the Company, and payment by the Company to DB of a fixed quarterly or semiannual guarantee fee based on the notional amount of the CDO portfolio in the transaction; (2) an interest rate swap pursuant to which DB pays the Company a fixed interest rate and the Company pays to DB a floating interest rate (generally three-month LIBOR) on the notional amount of the CDO portfolio in the transaction; and (3) a third swap between the Company and DB included in the transaction in order to hedge each party s exposure to change in interest rates over the life of the transaction. In addition, under the terms of the transaction, payments from the CDOs will continue to be made to the Company and retained by the Company; this recovery amount, plus assumed reinvestment earnings at an imputed interest rate, generally three-month LIBOR, will offset principal payments that DB would otherwise be required to make.

The net result of the payment streams described in the preceding paragraph is the approximate $5.3 million expense per quarter noted previously. Our estimated quarterly expense amount would be impacted by, among other things, changes in the composition of the CDO portfolio included in the transaction and changes over time in the forward LIBOR rate curve. Payments under the third swap began on the second payment date of each covered security. If the forward interest rates projected in mid-July 2010 occur, no net payment will be due by either party under this third swap. If rates increase more than projected, the payment will be to the Company from DB and if less than projected the payment will be the reverse. The Company s costs are also subject to adjustment in the event of future changes in regulatory requirements applicable to DB, if we do not then elect to terminate the transaction. Termination by the Company for such regulatory changes applicable to DB after year one will result in no payment by the Company.

At June 30, 2011, we completed a valuation process which resulted in an estimated fair value for the TRS under Level 3. The process utilized valuation inputs from two sources:

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

2) A valuation from a market participant in possession of all relevant terms and costs of the TRS structure.

We considered the observable input or inputs from the market participant, who is the counterparty to this transaction, as well as the results of our internal modeling in estimating the fair value of the TRS. We expect

to continue the use of this methodology in subsequent periods.

7. DEBT AND SHAREHOLDERS EQUITY

During the three months ended June 30, 2011, we issued $42.2 million of senior medium-term notes, with $30.2 million maturing in May 2016 at an interest rate of 5.50%, and $12.0 million maturing in May 2012 at interest rates of 2.00% and 2.50%. We also redeemed $42.2 million of short-term senior medium-term notes.

During the three months ended June 30, 2011, $138.5 million of convertible subordinated debt was converted into the Company s preferred stock, consisting of 138,269 shares of Series C and 200 shares of Series A. For the six months ended June 30, 2011, a total of $224.3 million of convertible subordinated debt was converted into the Company s preferred stock, consisting of 224,098 shares of Series C and 220 shares of Series A. For the six months ended June 30, 2011, the $262.1 million added to preferred stock included the transfer from common stock of $37.7 million of the intrinsic value of the beneficial conversion feature. The amount of this conversion feature was included with common stock at the time of the debt modification in June 2009. The remaining balance in common stock of this conversion feature was approximately $97.2 million at June 30, 2011. Accelerated discount amortization on the converted debt increased interest expense for the three and six months ended June 30, 2011 by approximately $61.4 million and $102.3 million, respectively. At June 30, 2011, the balance at par of the convertible subordinated debt was $579.2 million and the remaining balance of the convertible debt discount was $258.9 million.

During the first quarter of 2011, we sold 1,067,540 shares of common stock for $25.5 million (average price of $23.89). The sales were made under a new equity distribution program announced February 10, 2011 to sell up to $200 million of common stock, which superseded all prior programs. Net of commissions and fees, these sales added $25.0 million to common stock for the six months ended June 30, 2011.

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Changes in accumulated other comprehensive income (loss) are summarized as follows:

(In thousands)	Net unrealized gains (losses) on investments and other	Net unrealized gains (losses) on derivative instruments	Pension and post-retirement	Total
Six Months Ended June 30, 2011:				
Balance at December 31, 2010	$ (456,264)	$ 30,702	$ (35,734)	$ (461,296)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $22,217	(36,060)			(36,060)
Reclassification for net losses included in earnings, net of income tax benefit of $4,128	6,590			6,590
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $452	(729)			(729)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $61	99			99
Net unrealized losses, net of reclassification to earnings of $23,105 and income tax benefit of $8,335		(13,095)		(13,095)
Other comprehensive loss	(30,100)	(13,095)		(43,195)
Balance at June 30, 2011	$ (486,364)	$ 17,607	$ (35,734)	$ (504,491)
Six Months Ended June 30, 2010:				
Balance at December 31, 2009	$ (462,412)	$ 68,059	$ (42,546)	$ (436,899)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains, net of income tax expense of $2,826	4,880			4,880
Reclassification for net losses included in earnings, net of income tax benefit of $18,196	29,341			29,341
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $7,193	(11,612)			(11,612)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $43	70			70
Net unrealized losses, net of reclassification to earnings of $41,787 and income tax benefit of $11,605		(18,737)		(18,737)
Pension and postretirement, net of income tax benefit of $46			(63)	(63)
Other comprehensive income (loss)	22,679	(18,737)	(63)	3,879
Balance at June 30, 2010	$ (439,733)	$ 49,322	$ (42,609)	$ (433,020)

8. INCOME TAXES

The income tax expense rate for the first and second quarters of 2011 was increased by the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock. The tax benefit rate for the first and second quarters of 2010

was reduced primarily by the impact of the taxable surrender of certain bank-owned life insurance policies and by the nondeductibility of a portion of the accelerated discount amortization as described previously.

The balance of net deferred tax assets was approximately $481 million at June 30, 2011, $540 million at December 31, 2010, and $551 million at June 30, 2010. We evaluate the net 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 June 30, 2011.

9. FAIR VALUE

Fair Value Measurements

ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements,* requires certain additional fair value disclosures under ASC 820, *Fair Value Measurements and Disclosures*, which began January 1, 2010. One of the new requirements did not become effective until January 1, 2011 and requires the gross, rather than net, basis for certain Level 3 rollforward information. The following information incorporates this new disclosure requirement.

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

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

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

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

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

Utilization of Third Party Pricing Services

We use third party pricing services for our Level 1 and 2 security valuations and a third party model to estimate fair value for our Level 3 security valuations. We work closely with the third party pricing services as they develop their fair value estimations and we perform on a quarterly basis a variety of review procedures on their output. Because of our close involvement, we do not adjust prices from our third party pricing services.

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In the case of valuations under Levels 1 and 2, we discuss the methodology used by the third party pricing services and the manner employed to collect market information. For model-driven valuations under Level 3, we also compare assumptions used with other third party services and with our internal models and the information we have about market trends and trading data. Such procedures help ensure that the fair value information received was determined in accordance with ASC 820.

Available-for-sale and trading

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

U.S. Treasury, agencies and corporations

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

Municipal securities

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

Trust preferred collateralized debt obligations

Substantially all the CDO portfolio is fair valued under Level 3 using an income-based cash flow modeling approach incorporating several methodologies that primarily include internal and third party models. In addition, each quarter we seek to obtain information for trades of securities in this asset class. We consider this information to determine whether the comparability of the security and the orderliness of the trades make such reported prices suitable for inclusion as or consideration in our fair value estimates in accordance with ASU 2010-06.

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

Prior to the fourth quarter of 2010 for publicly traded performing banks, we exclusively utilized a licensed third party proprietary reduced form model derived using logistic regression on a historical default database to produce PDs. This model requires equity valuation related inputs (along with other macro and issuer-specific inputs) to produce PDs, and therefore cannot be used for privately owned banks.

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

We have found that for publicly traded deferring banks, the ratio-based approach generally resulted in higher PDs than did the licensed third party proprietary reduced model for banks that subsequently failed. Therefore, in order to better project publicly traded bank failures, historically we utilized the higher of the PDs from our ratio-based approach and those from the licensed third party model for publicly traded deferring banks. During the fourth quarter of 2010, we began utilizing the same approach for publicly traded performing banks.

After identifying collateral level PDs, we modify the PDs of deferring collateral by a calibration adjustment. The calibration adjustment was calculated as the average difference between the actual 100% default probability for all banks failing in the previous three quarters (both CDO and non-CDO banks) and the PD generated for each deferring bank using the ratio-based approach. Ratio-based PDs for deferring banks were first used in the fourth quarter of 2009 when the adjustment upward was 7.8%. The calibration adjustments upward for 2010 were 6.6% for the first and second quarters, 5.1% for the third quarter, and 4.8% for the fourth quarter, from the level produced by the collateral level PD in the relevant quarter. For the first and second quarters of 2011, the calibration adjustments upward were 2.5% and 1.65%, respectively.

The resulting effective PDs at June 30, 2011 ranged from 100% for the worst deferring banks to 1.65% for the best deferring banks. The weighted average assumed loss rate on deferring collateral was 35% at both June 30, 2011 and March 31, 2011, and 30% and 44% at December 31, 2010 and 2009, respectively. This loss rate is calculated as a percentage of the par amount of deferring collateral within a pool that is expected to default prior to the end of a five-year deferral period.

Prior to March 31, 2011, we had little evidence with which to assess the likelihood of previously deferring collateral returning to a current status prior to or at the end of the allowable five-year deferral period. Accordingly, our third party cash flow model assumed that the par amount of deferring collateral within each pool that did not default would be paid off at par after five years of deferral. No receipt of back interest or return to current status was assumed.

During the first quarter of 2011, we observed improvement in the performance of certain deferring collateral such that payment of interest resumed and interest payments that had been deferred for one or more quarters were paid in full. By the end of the first quarter of 2011, this pattern was seen in 7% of all surviving bank deferrals within our CDO pools, although none had reached the end of the allowable deferral period. Accordingly, expectations have been revised regarding the extent of deferring collateral ultimately repaying contractually due interest. Effective March 31, 2011, the third party cash flow valuation model was enhanced and incorporated these revised expectations. By June 30, 2011, payment of interest had resumed and interest payments that had been deferred for one of more quarters were paid in full on 7.3% of all surviving bank deferrals within our CDO pools.

The licensed third party cash flow model projects the expected cash flows for CDO tranches, including the expectation that deferrals that do not default will pay their contractually required back interest and return to a current status at the end of five years. Estimates of expected loss for the individual pieces of underlying collateral are aggregated to arrive at a pool-level expected loss rate for each CDO. These loss assumptions are applied to the CDO s structure to generate cash flow

projections for each tranche of the CDO.

We utilize a present value technique both to identify the OTTI present in the CDO tranches and to estimate fair value. For purposes of determining the portion of the difference between fair value and amortized cost that is due to credit, we follow ASC 310, which includes paragraphs 12-16 of the former FASB Statement No. 114. The standard specifies that a cash flow projection can be present valued at the security specific effective interest rate and the resulting present value compared to the amortized cost in order to quantify the credit component of impairment. Since our early adoption of the new guidance under ASC 320 on January 1, 2009, we have followed this methodology to identify the credit component of impairment to be recognized in earnings each quarter.

We discount this expected and already credit adjusted cash flow of each CDO tranche at a tranche-specific discount rate which reflects the risk that the actual cash flow may vary from the expected credit adjusted cash flow for that CDO tranche. This rate is consistent with market participants assumptions, which include market illiquidity, and is applied to credit adjusted cash flows, as outlined in ASC 820. We follow the guidance on illiquid markets such that risk premiums should be reflective of an orderly transaction between market participants under current market conditions. Because these securities are not traded on exchanges and trading prices are not posted on the TRACE® system (Trade Reporting and Compliance Engine®), we also seek information from market participants to obtain trade price information.

Prior to March 31, 2011, the discount rate assumption used for valuation purposes for each CDO tranche was derived from trading yields on publicly traded trust preferred securities and projected PDs on the underlying issuers. The data set generally included one or more publicly-traded trust preferred securities in deferral with regard to the payment of current interest. The effective yields on the traded securities, including the deferring securities, were then used to determine a relationship between the effective yield and expected loss. Expected loss for this purpose is a measure of the variability of cash flows from the mean estimate of cash flow across all Monte Carlo simulations. This relationship was then considered along with other third party or market data in order to identify appropriate discount rates to be applied to the CDOs.

During both the first and second quarters of 2011, we observed trades in our CDO tranches which appeared to be either orderly (that is, not distressed or forced); or whose orderliness could not be definitively refuted. Trading data was generally limited to a single transaction in each of several of our original AAA-rated tranches and several of our original A-rated tranches. In accordance with ASU 2010-06, this market price information was incorporated into our valuation process. The trading levels and effective yields of each tranche were included along with the trading yields of publicly traded trust preferred securities in order to identify the relationship between effective yield and expected loss as described above. This relationship was then used to identify appropriate discount rates to be applied to our CDO tranches.

Our June 30, 2011 valuations for bank and insurance tranches utilized a discount rate range of LIBOR + 3.75% for the highest quality/most over-collateralized insurance-only tranches and LIBOR + 34.3% for the lowest credit quality tranche, which included bank collateral, in order to reflect market level assumptions for structured finance securities. For tranches that include bank collateral, the discount rate was at least LIBOR + 4.69% for the highest quality/most over-collateralized tranches. These discount rates are applied to already credit-adjusted cash flows for each tranche. The range of the projected cumulative credit loss of the CDO pools varies extensively across pools, and at June 30, 2011 ranged between 11.4% and 66.2%.

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

At June 30, 2011, the discount rates we utilized for fair value purposes for tranches that include bank collateral were:

1) LIBOR + 4.7% to 4.9% and averaged LIBOR + 4.8% for first priority original AAA-rated bonds;

2) LIBOR + 4.8% to 7.8% and averaged LIBOR + 5.2% for lower priority original AAA-rated bonds;

3) LIBOR + 5.1% to 24.0% and averaged LIBOR + 13.5% for original A-rated bonds; and

4) LIBOR + 12.8% to 34.3% and averaged LIBOR + 28.0% for original BBB-rated bonds.

Accordingly, the wide difference between the effective interest rate used in the determination of the credit component of OTTI and the discount rate on the CDOs used in the determination of fair value results in the unrealized losses. The discount rate used for fair value purposes significantly exceeds the effective interest rate for the CDOs. The differences average approximately 4% for the original AAA-rated CDO tranches, 12% for the original A-rated CDO tranches, and 25% for the original BBB-rated CDO tranches. With the exception of certain of the most senior CDOs, most of the principal payments are not expected prior to the final maturity date, which is generally 2029 or later. High market discount rates and the long maturities of the CDO tranches result in full principal repayment contributing little to CDO tranche fair values.

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

Auction rate securities

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

Private equity investments

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in certain financial services and real estate companies, some of which are publicly traded. Fair values are determined from net asset values, or their equivalents, provided by the partnerships. These fair values are determined on the last business day of the month using values from the primary exchange. In the case of illiquid or nontraded assets, the partnerships obtain fair values from independent sources. We have no unfunded commitments to these partnerships and redemption is available annually.

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

Derivatives

Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter (OTC). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued under Level 1 because they are traded in active markets. OTC derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are fair valued under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable basis swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following schedules include the foreign currency exchange contracts that are not included in Note 6 in accordance with ASC 815. The amounts are also presented net of the cash collateral offsets discussed in Note 6. Also see the discussion in Note 6 for the determination of fair value of the total return swap.

Securities sold, not yet purchased

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

Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

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(In thousands)	June 30, 2011			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ 704,547	$ 1,816,524		$ 2,521,071
Municipal securities		119,312	$ 18,862	138,174
Asset-backed securities:				
Trust preferred banks and insurance		572	1,097,917	1,098,489
Trust preferred real estate investment trusts			19,131	19,131
Auction rate			91,104	91,104
Other (including ABS CDOs)		8,098	45,376	53,474
Mutual funds and stock	157,378	6,142		163,520
	861,925	1,950,648	1,272,390	4,084,963
Trading account		51,152		51,152
Other noninterest-bearing investments:				
Private equity		4,885	136,079	140,964
Other assets:				
Derivatives:				
Interest rate related and other		18,146		18,146
Interest rate swaps for customers		59,863		59,863
Foreign currency exchange contracts	4,078			4,078
	4,078	78,009		82,087
	$ 866,003	$ 2,084,694	$ 1,408,469	$ 4,359,166
LIABILITIES				
Securities sold, not yet purchased	$ 8,013	$ 34,696		$ 42,709
Other liabilities:				
Derivatives:				
Interest rate related and other		235		235
Interest rate swaps for customers		63,460		63,460
Foreign currency exchange contracts	3,319			3,319
Total return swap			$ 5,420	5,420
	3,319	63,695	5,420	72,434
Other			442	442
	$ 11,332	$ 98,391	$ 5,862	$ 115,585

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

Selected additional information regarding key model inputs and assumptions used to fair value certain asset-backed securities by class under Level 3 include the following at June 30, 2011:

(Dollars in thousands)	Fair value at June 30, 2011	Valuation approach	Constant default rate (CDR)	Loss severity	Prepayment rate
Asset-backed securities:					

Trust preferred	predominantly banks	$ 896,944	Income	Pool specific[3]	100%	Pool specific[7]
Trust preferred	predominantly insurance	356,061	Income	Pool specific[4]	100%	4.5% per year
Trust preferred	individual banks	18,493	Market			
		1,271,498[1]				
Trust preferred real estate investment trusts		19,131	Income	Pool specific[5]	22-100%	0% per year
Other (including ABS CDOs)		68,666[2]	Income	Collateral specific[6]	21.5-100%	Collateral weighted average life

[1] *Includes $1,098.5 million of AFS securities and $173.0 million of HTM securities.*

[2] *Includes $53.5 million of AFS securities and $15.2 million of HTM securities.*

[3] *CDR ranges: yr 1 0.01% to 7.20%; yrs 2-5 0.03% to 0.44%; yrs 6 to maturity 0.50% to 0.54%.*

[4] *CDR ranges: yr 1 0.04% to 3.91%; yrs 2-5 0.08% to 0.25%; yrs 6 to maturity 0.50%.*

[5] *CDR ranges: yr 1 4.9% to 8.8%; yrs 2-3 3.7% to 5.9%; yrs 4-6 1.0%; yrs 6 to maturity 0.50%.*

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[6] *These are predominantly ABS CDOs whose collateral is rated. CDR and loss severities are built up from the loan level and vary by collateral ratings, asset class, and vintage.*

[7] *CPR ranges: yrs 1-3 0% to 6.13%; yrs 4-5 0% to 18.38%; yrs 6 to maturity 2.00%.*

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

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

(Dollars in thousands) Vintage year	Fair value at June 30, 2011	Percentage of total fair value AAA	A	BBB	Percentage of total fair value by vintage
2001	$ 98,797	9.9%	1.0%	0.1%	11.0%
2002	234,133	23.5	2.6		26.1
2003	296,569	22.1	10.8	0.2	33.1
2004	153,240	7.5	9.6		17.1
2005	15,266	1.1	0.6		1.7
2006	59,875	3.2	3.0	0.4	6.6
2007	39,064	4.4			4.4
	$ 896,944	71.7%	27.6%	0.7%	100.0%

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:

(In thousands)	Level 3 Instruments Three Months Ended June 30, 2011 Municipal securities	Trust preferred banks and insurance	Trust preferred REIT	Auction rate	Other asset-backed	Private equity investments	Derivatives	Other liabilities
Balance at March 31, 2011	$ 19,057	$ 1,183,999	$ 19,714	$ 109,244	$ 69,487	$ 142,547	$ (10,511)	$ (442)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	21	1,413		1	34			
Dividends and other investment income						4,858		
Equity securities losses, net						(1,635)		
Fixed income securities gains (losses), net		3,595		875	(6,935)			
Net impairment losses on investment securities		(3,046)			(2,112)			
Other noninterest expense								
Other comprehensive income (loss)	(216)	(6,852)	(583)	(41)	5,076			
Purchases						9,466		
Sales		(71,940)			(19,310)	(4,009)		
Redemptions and paydowns		(9,252)		(18,975)	(864)	(15,148)	5,091	

Balance at June 30, 2011	$ 18,862	$ 1,097,917	$ 19,131	$ 91,104	$ 45,376	$ 136,079	$ (5,420)	$ (442)

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(In thousands)	Level 3 Instruments Six Months Ended June 30, 2011							
	Municipal securities	**Trust preferred banks and insurance**	**Trust preferred REIT**	**Auction rate**	**Other asset-backed**	**Private equity investments**	**Derivatives**	**Other liabilities**
Balance at December 31, 2010	$ 22,289	$ 1,241,694	$ 19,165	$ 109,609	$ 69,630	$ 141,690	$ (15,925)	$ (561)
Total net gains (losses) included in:								
Statement of income:								
Accretion of purchase discount on securities available-for-sale	190	2,890		9	73			
Dividends and other investment income						5,565		
Equity securities losses, net						(738)		
Fixed income securities gains (losses), net	18	7,063	(3,605)	882	(6,928)			
Net impairment losses on investment securities		(4,866)	(1,285)		(2,112)			
Other noninterest expense								119
Other comprehensive income (loss)	(515)	(57,893)	5,394	(61)	6,400			
Purchases						12,799		
Sales	(895)	(72,881)	(538)	(135)	(19,310)	(7,286)		
Redemptions and paydowns	(2,225)	(18,090)		(19,200)	(2,377)	(15,951)	10,505	
Balance at June 30, 2011	$ 18,862	$ 1,097,917	$ 19,131	$ 91,104	$ 45,376	$ 136,079	$ (5,420)	$ (442)

(In thousands)	Level 3 Instruments Three Months Ended June 30, 2010						
	Municipal securities	**Trust preferred banks and insurance**	**Trust preferred REIT**	**Auction rate**	**Other asset-backed**	**Private equity investments**	**Other liabilities**
Balance at March 31, 2010	$ 63,206	$ 1,351,269	$ 23,854	$ 156,795	$ 57,373	$ 161,884	$ (553)
Total net gains (losses) included in:							
Statement of income:							
Dividends and other investment income						2,930	
Equity securities losses, net						(1,502)	
Fixed income securities gains, net	404	71		38			
Net impairment losses on investment securities		(14,634)	(1,643)		(1,842)		
Other noninterest expense							83
Other comprehensive income (loss)	(361)	(21,846)	1,282	190	19,172		
Purchases, sales, issuances, and settlements, net	(5,494)	(3,462)		55	(2,882)	(15,700)	
Balance at June 30, 2010	$ 57,755	$ 1,311,398	$ 23,493	$ 157,078	$ 71,821	$ 147,612	$ (470)

(In thousands)	Level 3 Instruments Six Months Ended June 30, 2010						
	Municipal securities	**Trust preferred banks and insurance**	**Trust preferred REIT**	**Auction rate**	**Other asset-backed**	**Private equity investments**	**Other liabilities**
Balance at December 31, 2009	$ 64,314	$ 1,359,444	$ 24,018	$ 159,440	$ 62,430	$ 158,941	$ (522)
Total net gains (losses) included in:							
Statement of income:							
Dividends and other investment income						5,284	

Equity securities losses, net						(4,667)	
Fixed income securities gains, net	433	658		265	355		
Net impairment losses on investment securities		(41,860)	(3,725)		(3,786)		
Other noninterest expense							52
Other comprehensive income (loss)	(463)	(1,960)	3,150	963	24,723		
Purchases, sales, issuances, and settlements, net	(6,529)	(4,884)	50	(3,590)	(11,901)	(11,946)	
Balance at June 30, 2010	$ 57,755	$ 1,311,398	$ 23,493	$ 157,078	$ 71,821	$ 147,612	$ (470)

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

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(In thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Dividends and other investment income	$ 1,619	$ 1,290	$ 3,250	$ 2,194
Equity securities gains, net		1,157		905
Fixed income securities gains (losses), net	(2,465)	513	(2,570)	1,711

Assets with fair value changes that are measured at fair value by class on a nonrecurring basis are summarized as follows:

	Fair value at June 30, 2011				Gains (losses) from fair value changes	
(In thousands)	Level 1	Level 2	Level 3	Total	Three months ended June 30, 2011	Six months ended June 30, 2011
ASSETS						
Impaired loans		$ 14,555		$ 14,555	$ (1,719)	$ (5,473)
Other real estate owned		88,192		88,192	(14,182)	(35,803)
	$	$ 102,747	$	$ 102,747	$ (15,901)	$ (41,276)

	Fair value at June 30, 2010				Gains (losses) from fair value changes	
(In thousands)	Level 1	Level 2	Level 3	Total	Three months ended June 30, 2010	Six months ended June 30, 2010
ASSETS						
HTM securities adjusted for OTTI			$ 3,657	$ 3,657	$ (139)	$ (151)
Impaired loans		$ 287,570		287,570	(21,498)	(93,145)
Other real estate owned		144,146		144,146	(51,333)	(81,307)
	$	$ 431,716	$ 3,657	$ 435,373	$ (72,970)	$ (174,603)

Impaired (or nonperforming) loans that are collateral-dependent are fair valued under Level 2 based on the fair value of the collateral. Performing loans are not generally considered to be collateral-dependent because the primary source of loan repayment is not the liquidation of the collateral by the bank. Land loans do require the selling of parcels to meet loan repayments. Other real estate owned(OREO) is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time the property is recorded in OREO and as appropriate thereafter.

Measurement of impairment for collateral-dependent loans and other real estate owned is based on third party appraisals performed and validated independently within the 90 days previous to the balance sheet date. If a third party appraisal has not been performed within the previous 90 days, we use an automated valuation service or our informed judgment (e.g., written offers, listings or appraisals on similar properties in the same market, brokers opinions, or a new appraisal on the subject property) to determine the appropriate value of the collateral, referencing the most recently completed and validated appraisal and comparable sales and listings as the starting point of our analysis.

The fair value of collateral is estimated based on appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). The valuation method we use for our construction impaired loans is as is. Any adjustments to calculated fair value are made based on recently completed and validated third party appraisals, an automated valuation service, or our informed judgment. Evaluations are made to

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determine that the appraisal process meets the relevant concepts and requirements of ASC 820.

The potential for outdated appraisals is addressed on a loan-by-loan basis during the impairment analysis according to ASC 310. We do not make high level adjustments for potentially outdated appraisals in our determination of the ALLL. As discussed in Note 5, the ASC 450 portion of our quantitative ALLL is based on a comprehensive grading system and historic loss rates. Outdated appraisals are incorporated as part of our quantitative ALLL analysis that incorporates recent loan loss history.

Impaired loans not collateral-dependent are 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 under ASC 820 and have been excluded from the nonrecurring fair value balance in the preceding schedules. Impaired loans were reported as being fair valued under Level 3 in certain previous periods; however, upon reconsideration, the fair value process for impaired loans that are collateral dependant is considered to be substantially the same as for other real estate owned, and accordingly, has been included under Level 2.

Fair Value Option

At June 30, 2011, no financial assets or liabilities were recorded at fair value under the fair value option allowed in ASC 825, *Financial Instruments*.

Fair Value of Certain Financial Instruments

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

(In thousands)	**June 30, 2011**		**June 30, 2010**	
	Carrying value	**Estimated fair value**	**Carrying value**	**Estimated fair value**
Financial assets:				
HTM investment securities	$ 829,702	$ 762,998	$ 852,606	$ 802,370
Loans and leases (including loans held for sale), net of allowance	35,744,787	35,426,094	36,628,561	36,328,746
Financial liabilities:				
Time deposits	3,775,409	3,811,120	4,664,845	4,718,138
Foreign deposits	1,437,067	1,438,250	1,683,925	1,684,090
Other short-term borrowings	147,945	149,265	218,589	221,776
Long-term debt (less fair value hedges)	1,867,326	2,260,641	1,919,163	2,373,906

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.

The fair value of loans is estimated by discounting future cash flows on pass grade loans using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated life-of-the-loan aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Company does not have a validated model to estimate lifetime credit losses on large portions of its loan portfolio. The estimate of lifetime credit losses is adjusted quarterly as necessary to reflect the most recent

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loss experience during the current prolonged cycle of economic weakness. Impaired loans are not included in this credit adjustment as they are already considered to be held at fair value. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

The fair value of time and foreign deposits, and other short-term borrowings, is estimated by discounting future cash flows using the LIBOR yield curve. The estimated fair value of long-term debt is based on actual market trades (i.e., an asset value) when available, or discounting cash flows using the LIBOR yield curve adjusted for credit spreads.

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

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

10. GUARANTEES, COMMITMENTS AND CONTINGENCIES

The following are guarantees issued by the Company:

(In thousands)	**June 30, 2011**	**December 31, 2010**	**June 30, 2010**
Standby letters of credit:			
Financial	$ 918,520	$ 921,257	$ 1,000,033
Performance	173,373	185,854	207,838
	$ 1,091,893	$ 1,107,111	$ 1,207,871

The Company s 2010 Annual Report on Form 10-K contains further information about these letters of credit including their terms and collateral requirements. At June 30, 2011, the Company had recorded approximately $14.7 million as a liability for these guarantees, which consisted of $9.3 million attributable to the reserve for unfunded lending commitments and $5.4 million of deferred commitment fees.

As of June 30, 2011, the Parent has guaranteed approximately $300 million of debt of affiliated trusts issuing trust preferred securities.

We are subject to litigation in court and arbitral proceedings, as well as proceedings and other actions brought or considered by governmental and self-regulatory agencies. At any given time, such litigation, proceedings and actions typically include claims relating to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, and regulatory compliance. Based on our current knowledge and consultations with legal counsel, we believe that our current estimated liability for these matters, determined in accordance with ASC 450-20, *Loss Contingencies*, is adequate and that the amount of any incremental liability arising from litigation and governmental and self-regulatory actions will not have a material adverse effect on our consolidated financial condition, cash flows, or results of operations. However, it is possible that the ultimate resolution of our litigation and governmental and self-regulatory actions may differ from our current assessments, based on facts and legal theories not currently known or fully appreciated, unpredicted

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ZIONS BANCORPORATION AND SUBSIDIARIES

decisions by courts, arbitrators or governmental or self-regulatory agencies, or other factors, and could have a material adverse effect on our results of operations for a particular reporting period depending, in part, on our results for that period.

11. RETIREMENT PLANS

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

(In thousands)	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended June 30,						Six Months Ended June 30,					
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	$ 46	$ 53	$	$	$ 8	$ 9	$ 92	$ 106	$	$	$ 16	$ 18
Interest cost	2,087	2,162	140	147	14	16	4,173	4,323	279	318	27	26
Expected return on plan assets	(3,111)	(2,053)					(6,221)	(4,106)				
Loss due to settlement										13		
Amortization of prior service cost (credit)			31	31	(61)	(61)			62	62	(122)	(122)
Amortization of net actuarial (gain) loss	1,305	1,488	(4)	(2)	(31)	(37)	2,611	2,976	(8)	18	(63)	(74)
Net periodic benefit cost (credit)	$ 327	$ 1,650	$ 167	$ 176	$ (70)	$ (73)	$ 655	$ 3,299	$ 333	$ 411	$ (142)	$ (152)

As disclosed in the Company s 2010 Annual Report on Form 10-K, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

12. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of June 30, 2011, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 106 branches in Utah and 27 branches in Idaho. CB&T operates 103 branches in California. Amegy operates 83 branches in Texas. NBA operates 74 branches in Arizona. NSB operates 53 branches in Nevada. Vectra operates 38 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon. Additionally, each subsidiary bank, except for NSB, NBA and TCBO, operates a foreign branch in the Grand Cayman Islands.

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

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

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ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the three months ended June 30, 2011 and 2010:

(In millions)	**Zions Bank**		**CB&T**		**Amegy**		**NBA**		**NSB**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
CONDENSED INCOME STATEMENT										
Net interest income	$ 176.4	$ 186.0	$ 128.4	$ 119.3	$ 98.3	$ 98.8	$ 43.3	$ 44.6	$ 35.3	$ 33.9
Provision for loan losses	21.6	90.5	(5.8)	40.6	(0.2)	46.4	1.8	4.8	(18.2)	34.3
Net interest income after provision for loan losses	154.8	95.5	134.2	78.7	98.5	52.4	41.5	39.8	53.5	(0.4)
Net impairment losses on investment securities										
Loss on sale of investment securities to Parent										
Other noninterest income	49.6	40.9	23.8	25.5	39.3	37.1	9.5	8.3	10.1	10.4
Noninterest expense	137.2	145.8	93.1	81.5	84.1	78.6	37.0	47.8	35.7	39.5
Income (loss) before income taxes	67.2	(9.4)	64.9	22.7	53.7	10.9	14.0	0.3	27.9	(29.5)
Income tax expense (benefit)	23.0	(11.5)	26.0	8.4	17.7	2.6	5.5	0.1	9.8	(10.4)
Net income (loss)	44.2	2.1	38.9	14.3	36.0	8.3	8.5	0.2	18.1	(19.1)
Net income (loss) applicable to noncontrolling interests										
Net income (loss) applicable to controlling interest	44.2	2.1	38.9	14.3	36.0	8.3	8.5	0.2	18.1	(19.1)
Preferred stock dividends										
Preferred stock redemption										
Net earnings (loss) applicable to common shareholders	$ 44.2	$ 2.1	$ 38.9	$ 14.3	$ 36.0	$ 8.3	$ 8.5	$ 0.2	$ 18.1	$ (19.1)
AVERAGE BALANCE SHEET DATA										
Total assets	$ 16,149	$ 18,598	$ 10,804	$ 11,084	$ 11,235	$ 11,769	$ 4,482	$ 4,434	$ 4,169	$ 4,070
Net loans and leases	12,799	13,618	8,285	8,588	7,794	7,920	3,305	3,379	2,408	2,586
Total deposits	13,621	14,313	9,221	9,698	8,712	9,288	3,745	3,698	3,548	3,452
Shareholder s equity:										
Preferred equity	480	480	262	262	488	487	305	305	360	360
Common equity	1,285	1,286	1,224	1,143	1,544	1,447	332	323	235	253
Noncontrolling interests		(1)								
Total shareholder s equity	1,765	1,765	1,486	1,405	2,032	1,934	637	628	595	613

	Vectra		**TCBW**		**Other**		**Consolidated Company**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**

CONDENSED INCOME STATEMENT								
Net interest income	$ 26.0	$ 27.1	$ 7.6	$ 7.6	$ (99.1)	$ (104.0)	$ 416.2	$ 413.3
Provision for loan losses	(1.2)	8.3	3.2	3.8	0.1	(0.1)	1.3	228.6
Net interest income after provision for loan losses	27.2	18.8	4.4	3.8	(99.2)	(103.9)	414.9	184.7
Net impairment losses on investment securities		(0.7)			(5.2)	(17.4)	(5.2)	(18.1)
Loss on sale of investment securities to Parent								
Other noninterest income	5.3	7.3	0.8	0.6	(4.9)	(2.6)	133.5	127.5
Noninterest expense	26.3	24.0	3.9	4.6	(1.0)	8.6	416.3	430.4
Income (loss) before income taxes	6.2	1.4	1.3	(0.2)	(108.3)	(132.5)	126.9	(136.3)
Income tax expense (benefit)	2.1	0.2	0.4	(0.1)	(30.2)	(12.2)	54.3	(22.9)
Net income (loss)	4.1	1.2	0.9	(0.1)	(78.1)	(120.3)	72.6	(113.4)
Net income (loss) applicable to noncontrolling interests					(0.2)	(0.4)	(0.2)	(0.4)
Net income (loss) applicable to controlling interest	4.1	1.2	0.9	(0.1)	(77.9)	(119.9)	72.8	(113.0)
Preferred stock dividends					(43.8)	(25.3)	(43.8)	(25.3)
Preferred stock redemption						3.1		3.1
Net earnings (loss) applicable to common shareholders	$ 4.1	$ 1.2	$ 0.9	$ (0.1)	$ (121.7)	$ (142.1)	$ 29.0	$ (135.2)
AVERAGE BALANCE SHEET DATA								
Total assets	$ 2,245	$ 2,330	$ 852	$ 813	$ 1,056	$ (1,228)	$ 50,992	$ 51,870
Net loans and leases	1,791	1,883	586	575	(128)	62	36,840	38,611
Total deposits	1,873	1,935	671	613	(506)	(767)	40,885	42,230
Shareholder s equity:								
Preferred equity	70	71	15	15	266	(355)	2,246	1,625
Common equity	204	195	72	70	(298)	(346)	4,598	4,371
Noncontrolling interests					(1)	17	(1)	16
Total shareholder s equity	274	266	87	85	(33)	(684)	6,843	6,012

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ZIONS BANCORPORATION AND SUBSIDIARIES

The following table presents selected operating segment information for the six months ended June 30, 2011 and 2010:

(In millions)	**Zions Bank**		**CB& T**		**Amegy**		**NBA**		**NSB**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
CONDENSED INCOME STATEMENT										
Net interest income	$ 349.0	$ 366.3	$ 257.1	$ 232.7	$ 191.3	$ 199.2	$ 86.4	$ 89.8	$ 68.4	$ 70.0
Provision for loan losses	60.6	177.6	5.4	82.5	3.1	97.2	2.5	26.0	(17.4)	87.0
Net interest income after provision for loan losses	288.4	188.7	251.7	150.2	188.2	102.0	83.9	63.8	85.8	(17.0)
Net impairment losses on investment securities										
Loss on sale of investment securities to Parent		(54.8)	(13.5)							
Other noninterest income	99.1	85.1	62.2	51.8	73.3	72.4	18.0	15.8	18.7	19.8
Noninterest expense	265.6	275.1	183.4	156.8	164.0	153.4	82.1	87.5	70.3	76.0
Income (loss) before income taxes	121.9	(56.1)	117.0	45.2	97.5	21.0	19.8	(7.9)	34.2	(73.2)
Income tax expense (benefit)	41.2	(8.5)	46.5	21.0	31.9	4.9	7.8	(3.1)	11.9	(25.8)
Net income (loss)	80.7	(47.6)	70.5	24.2	65.6	16.1	12.0	(4.8)	22.3	(47.4)
Net income (loss) applicable to noncontrolling interests		0.1								
Net income (loss) applicable to controlling interest	80.7	(47.7)	70.5	24.2	65.6	16.1	12.0	(4.8)	22.3	(47.4)
Preferred stock dividends										
Preferred stock redemption										
Net earnings (loss) applicable to common shareholders	$ 80.7	$ (47.7)	$ 70.5	$ 24.2	$ 65.6	$ 16.1	$ 12.0	$ (4.8)	$ 22.3	$ (47.4)
AVERAGE BALANCE SHEET DATA										
Total assets	$ 16,158	$ 18,705	$ 10,785	$ 11,064	$ 11,228	$ 11,603	$ 4,455	$ 4,439	$ 4,134	$ 4,087
Net loans and leases	12,814	13,717	8,316	8,708	7,683	8,075	3,289	3,452	2,416	2,644
Total deposits	13,557	14,140	9,217	9,693	8,706	9,192	3,728	3,705	3,518	3,458
Shareholder s equity:										
Preferred equity	480	470	262	262	488	439	305	354	360	360
Common equity	1,289	1,289	1,207	1,139	1,527	1,443	328	278	231	268
Noncontrolling interests										
Total shareholder s equity	1,769	1,759	1,469	1,401	2,015	1,882	633	632	591	628

	Vectra		**TCBW**		**Other**		**Consolidated Company**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**

CONDENSED INCOME STATEMENT								
Net interest income	$ 51.8	$ 54.4	$ 15.2	$ 15.0	$ (179.2)	$ (158.8)	$ 840.0	$ 868.6
Provision for loan losses	1.9	17.2	5.1	6.7	0.1		61.3	494.2
Net interest income after provision for loan losses	49.9	37.2	10.1	8.3	(179.3)	(158.8)	778.7	374.4
Net impairment losses on investment securities		(0.9)			(8.3)	(48.4)	(8.3)	(49.3)
Loss on sale of investment securities to Parent					13.5	54.8		
Other noninterest income	10.8	16.0	1.3	1.1	(12.6)	4.3	270.8	266.3
Noninterest expense	51.0	45.7	8.4	8.8	(0.2)	16.1	824.6	819.4
Income (loss) before income taxes	9.7	6.6	3.0	0.6	(186.5)	(164.2)	216.6	(228.0)
Income tax expense (benefit)	3.1	6.4	0.9	0.1	(51.9)	(46.5)	91.4	(51.5)
Net income (loss)	6.6	0.2	2.1	0.5	(134.6)	(117.7)	125.2	(176.5)
Net income (loss) applicable to noncontrolling interests					(0.5)	(3.4)	(0.5)	(3.3)
Net income (loss) applicable to controlling interest	6.6	0.2	2.1	0.5	(134.1)	(114.3)	125.7	(173.2)
Preferred stock dividends					(81.9)	(51.6)	(81.9)	(51.6)
Preferred stock redemption						3.1		3.1
Net earnings (loss) applicable to common shareholders	$ 6.6	$ 0.2	$ 2.1	$ 0.5	$ (216.0)	$ (162.8)	$ 43.8	$ (221.7)
AVERAGE BALANCE SHEET DATA								
Total assets	$ 2,249	$ 2,370	$ 852	$ 819	$ 988	$ (1,375)	$ 50,849	$ 51,712
Net loans and leases	1,787	1,903	577	575	(128)	63	36,754	39,137
Total deposits	1,873	1,964	670	615	(532)	(729)	40,737	42,038
Shareholder s equity:								
Preferred equity	70	68	15	15	182	(401)	2,162	1,567
Common equity	203	198	71	70	(236)	(384)	4,620	4,301
Noncontrolling interests					(1)	16	(1)	16
Total shareholder s equity	273	266	86	85	(55)	(769)	6,781	5,884

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

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

- the Company s ability to successfully execute its business plans, manage its risks, and achieve its objectives;
- changes in political and economic conditions, including without limitation the political and economic effects of the current economic crisis, delay of recovery from the current economic crisis, potential downgrade of ratings of U.S. sovereign debt and debt guaranteed by the U.S., failure of the U.S. government to timely discharge its financial obligations, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial market conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation reduced rates of business formation and growth, commercial and residential real estate development and real estate prices;
- fluctuations in markets for equity, fixed-income, commercial paper and other securities, including availability, market liquidity levels, and pricing;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- acquisitions and integration of acquired businesses;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the Board of Governors of the Federal Reserve Board System, and the Federal Deposit Insurance

Corporation (FDIC);

the Company s participation in and exit from governmental programs implemented under the EESA and the ARRA, including the TARP and CPP, and the impact of such programs and related regulations on the Company and on international, national, and local economic and financial markets and conditions;

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

the impact of the financial reform bill, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, and rules and regulations thereunder, many of which have not yet been promulgated;

new capital and liquidity requirements, which U.S. regulatory agencies are expected to establish in response to new international standards known as Basel III;

continuing consolidation in the financial services industry;

new litigation or changes in existing litigation;

success in gaining regulatory approvals, when required;

changes in consumer spending and savings habits;

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

demand for financial services in the Company s market areas;

inflation and deflation;

technological changes and the Company s implementation of new technologies;

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

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

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

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

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

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.

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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 2010 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The Company reported net earnings applicable to common shareholders of $29.0 million or $0.16 per diluted share for the second quarter of 2011 compared to a net loss applicable to common shareholders of $135.2 million or $0.84 per diluted share for the same period in 2010. The improved result was mainly caused by the following favorable changes:

- $227.3 million decrease in the provision for loan losses;
- $24.5 million decrease in other real estate expense;
- $12.9 million decrease in net impairment losses on investment securities;
- $11.2 million decrease in FDIC premiums;
- $8.4 million increase in dividends and other investment income; and
- $5.7 million increase in fair value and nonhedge derivative income.

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

- $77.2 million increase in income tax expense;
- $18.5 million increase in preferred dividends;
- $16.4 million increase in salaries and employee benefits;
- $9.8 million increase in other noninterest expense; and
- $9.0 million decrease in service charges and fees on deposit accounts.

Net earnings applicable to common shareholders for the first six months of 2011 was $43.8 million, or $0.24 per diluted share, compared to a net loss applicable to common shareholders of $221.7 million, or $1.42 per diluted share for the corresponding period in 2010. The improved result reflects the following:

- $432.9 million decrease in the provision for loan losses;
- $41.1 million decrease in net impairment losses on investment securities;
- $33.0 million decrease in other real estate expense;
- $19.2 million increase in other noninterest income; and
- $11.3 million decrease in FDIC premiums.

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

- $142.9 million increase in income tax expense;
- $30.2 million increase in preferred dividends;
- $28.6 million decrease in net interest income;
- $27.0 million increase in salaries and employee benefits;
- $21.7 million increase in other noninterest expense;
- $16.1 million decrease in service charges and fees on deposit accounts; and
- $14.5 million decrease in gain on subordinated debt exchange.

During the second quarter of 2009, the Company executed a subordinated debt modification and exchange transaction. The original discount on the convertible subordinated debt was $679 million and the remaining discount at June 30, 2011 was $259 million. It included the following components:

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The fair value discount on the debt, and

The value of the beneficial conversion feature which added the right of the debt holder to convert the debt into preferred stock. The discount associated with the convertible subordinated debt is amortized to interest expense, a noncash expense, using the interest method over the remaining terms of the subordinated debt. When holders of the convertible subordinated notes convert to preferred stock, the rate of amortization is accelerated by immediately expensing any unamortized discount associated with the converted debt.

Excluding the impact of these noncash expenses, income before income taxes and subordinated debt conversions for the second quarter of 2011 increased to $199.7 million compared to a loss of $61.1 million in the second quarter of 2010, and has improved each quarter since the fourth quarter of 2009.

(In thousands)	Three Months Ended				
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Income (loss) before income taxes (GAAP)	$ 126,935	$ 89,624	$ (96,491)	$ (78,637)	$ (136,259)
Convertible subordinated debt discount amortization	11,439	13,120	13,763	14,711	14,728
Accelerated convertible subordinated debt discount amortization	61,353	40,994	73,320	27,462	60,481
Income (loss) before income taxes and subordinated debt conversions (non-GAAP)	$ 199,727	$ 143,738	$ (9,408)	$ (36,464)	$ (61,050)

The impact of the conversion of convertible subordinated debt into preferred stock is further detailed in the Capital Management section.

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-bearing assets and interest incurred on interest-bearing liabilities. Taxable-equivalent net interest income for the second quarter of 2011 was $421.2 million compared to $419.0 million for the comparable period of 2010. The increase reflects the effect of many factors, including lower balances of and lower interest rates paid on interest bearing deposits, as well as lower balances of borrowed funds. Their positive impact is partially offset by the accelerated amortization of subordinated debt discount, and lower balances of loans, and lower interest rates earned on securities. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all periods presented.

By its nature, net interest income is especially sensitive to changes in the mix and amounts of interest-earning assets and interest-bearing liabilities. In addition, changes in the interest rates and yields associated with these assets and liabilities can significantly impact net interest income. Average total loans and leases for the first six months of 2011 were 6.1% lower than the average total loans and leases for the first six months of 2010, while average interest-bearing liabilities were 8.4% lower for the same comparable periods. The average interest rate earned on net loans and leases excluding FDIC supported loans decreased from 5.60% to 5.49% for the first six months of 2010 and 2011, respectively, while the rate paid on interest bearing deposits declined from 0.75% to 0.53%. Additionally, the mix of deposit funding improved. For the six months ended June 30, 2011 average noninterest-bearing deposits accounted for 34.2% of total average deposits, while for the same period in 2010 it was 30.8%. See Interest Rate and Market Risk Management for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and associated risk.

A gauge that we use to measure the Company s success in managing its net interest income is the level and stability of the net interest margin. The net interest margin was 3.62% for the second quarter of 2011,

compared to 3.58% for the same period in 2010, and 3.76% for the first quarter of 2011. During the second quarter of 2011 and 2010, the net interest margin was negatively impacted by 53 and 52 basis points, respectively, for the accelerated discount amortization resulting from the conversion of convertible subordinated debt to preferred stock, and by 10 and 12 basis points, respectively, for the discount amortization related to the convertible subordinated debt. For the second quarters of 2011 and 2010, this unfavorable impact was partially mitigated by increased interest income resulting from the accretion of interest income on acquired loans based on increased projected cash flows, and by the increased volume of noninterest-bearing deposit funding.

The Company believes that its core net interest margin is more reflective of its operating performance than the reported net interest margin. We calculate the core net interest margin by excluding the impact of discount amortization on convertible subordinated debt, accelerated discount amortization on convertible subordinated debt, and additional accretion of interest income on acquired loans from the net interest margin. The core net interest margin was 4.07% and 4.14% for the second quarters of 2011 and 2010, respectively. See GAAP to non-GAAP Reconciliations for a reconciliation between the GAAP net interest margin and the non-GAAP core net interest margin.

The spread on average interest-bearing funds for the second quarter of 2011 was 2.90%, compared to 2.89% in the same period in 2010. The spread on average interest-bearing funds for the second quarter of 2011 was affected by most of the same factors that had an impact on the net interest margin.

The net interest margin will continue to be adversely affected in future quarters by the level of nonperforming assets and the amortization of the discount related to the debt modification transactions, including the accelerated amortization of discount to the extent that holders of the modified debt elect to convert their holdings to preferred stock. The unamortized discount on the convertible subordinated debt was $259 million as of June 30, 2011, or 44.7% of the total $579 million of remaining outstanding convertible subordinated notes and will be amortized as interest expense over the remaining life of the debt using the interest method.

The Company expects to continue its efforts over the long run to maintain a slightly asset-sensitive position with regard to interest rate risk. For a number of quarters in the recent period of historically low interest rates, the Company has maintained an interest rate risk position that is more asset sensitive than it was prior to the economic crisis, and it expects to maintain this more asset sensitive position for a prolonged period. With interest rates at historically low levels, there is a reduced need to protect against falling interest rates. Our estimates of the Company s actual rate risk position are highly dependent upon a number of assumptions regarding the re-pricing 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. Further detail on interest rate risk is discussed in the Company s 2010 Annual Report on Form 10-K in Interest Rate Risk on page 75 and in this filing in Interest Rate Risk.

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CONSOLIDATED AVERAGE BALANCE SHEETS, YIELDS AND RATES

(Unaudited)

(Amounts in thousands)	Three Months Ended June 30, 2011			Three Months Ended June 30, 2010		
	Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate
ASSETS						
Money market investments	$ 4,792,704	$ 3,199	0.27%	$ 3,853,275	$ 2,601	0.27%
Securities:						
Held-to-maturity	821,768	11,289	5.51%	888,466	14,093	6.36%
Available-for-sale	4,031,836	22,788	2.27%	3,364,126	22,433	2.67%
Trading account	60,894	538	3.54%	72,322	657	3.64%
Total securities	4,914,498	34,615	2.83%	4,324,914	37,183	3.45%
Loans held for sale	144,048	1,525	4.25%	166,612	1,937	4.66%
Loans:						
Net loans and leases excluding FDIC-supported loans [2]	35,960,395	490,083	5.47%	37,345,580	521,087	5.60%
FDIC-supported loans	879,290	34,298	15.65%	1,265,319	26,537	8.41%
Total loans and leases	36,839,685	524,381	5.71%	38,610,899	547,624	5.69%
Total interest-earning assets	46,690,935	563,720	4.84%	46,955,700	589,345	5.03%
Cash and due from banks	1,036,501			1,444,343		
Allowance for loan losses	(1,321,098)			(1,594,814)		
Goodwill	1,015,161			1,015,161		
Core deposit and other intangibles	79,950			104,083		
Other assets	3,490,867			3,945,496		
Total assets	$ 50,992,316			$ 51,869,969		
LIABILITIES						
Interest-bearing deposits:						
Savings and NOW	$ 6,548,676	4,776	0.29%	$ 6,026,526	5,230	0.35%
Money market	14,827,231	17,904	0.48%	16,292,870	28,894	0.71%
Time under $100,000	1,835,172	4,291	0.94%	2,247,255	7,643	1.36%
Time $100,000 and over	2,019,469	5,120	1.02%	2,590,056	8,376	1.30%
Foreign	1,490,636	2,166	0.58%	1,754,944	2,610	0.60%
Total interest-bearing deposits	26,721,184	34,257	0.51%	28,911,651	52,753	0.73%
Borrowed funds:						
Securities sold, not yet purchased	37,989	394	4.16%	41,473	511	4.94%
Federal funds purchased and security repurchase agreements	660,017	200	0.12%	871,441	311	0.14%
Other short-term borrowings	169,574	1,189	2.81%	205,373	2,664	5.20%
Long-term debt	1,897,887	106,454	22.50%	1,978,693	114,153	23.14%

Total borrowed funds	2,765,467	108,237	15.70%	3,096,980	117,639	15.24%
Total interest-bearing liabilities	29,486,651	142,494	1.94%	32,008,631	170,392	2.14%
Noninterest-bearing deposits	14,163,514			13,318,836		
Other liabilities	499,072			530,457		
Total liabilities	44,149,237			45,857,924		
Shareholders equity:						
Preferred equity	2,246,088			1,624,856		
Common equity	4,598,336			4,371,255		
Controlling interest shareholders equity	6,844,424			5,996,111		
Noncontrolling interest	(1,345)			15,934		
Total shareholders equity	6,843,079			6,012,045		
Total liabilities and shareholders equity	$ 50,992,316			$ 51,869,969		
Spread on average interest-bearing funds			2.90%			2.89%
Taxable-equivalent net interest income and net yield on interest-earning assets		$ 421,226	3.62%		$ 418,953	3.58%

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

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

(Amounts in thousands)	Six Months Ended June 30, 2011			Six Months Ended June 30, 2010		
	Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate
ASSETS						
Money market investments	$ 4,654,089	$ 6,042	0.26%	$ 3,044,720	$ 4,040	0.27%
Securities:						
Held-to-maturity	827,353	22,336	5.44%	893,996	24,914	5.62%
Available-for-sale	4,069,212	45,828	2.27%	3,371,487	46,052	2.75%
Trading account	55,362	990	3.61%	61,884	1,132	3.69%
Total securities	4,951,927	69,154	2.82%	4,327,367	72,098	3.36%
Loans held for sale	152,016	3,126	4.15%	172,987	4,300	5.01%
Loans:						
Net loans and leases excluding FDIC-supported loans [2]	35,838,713	975,698	5.49%	37,807,534	1,048,984	5.60%
FDIC-supported loans	915,483	67,467	14.86%	1,329,192	45,739	6.94%
Total loans and leases	36,754,196	1,043,165	5.72%	39,136,726	1,094,723	5.64%
Total interest-earning assets	46,512,228	1,121,487	4.86%	46,681,800	1,175,161	5.08%
Cash and due from banks	1,057,568			1,362,632		
Allowance for loan losses	(1,372,116)			(1,580,057)		
Goodwill	1,015,161			1,015,161		
Core deposit and other intangibles	82,646			107,400		
Other assets	3,553,957			4,124,812		
Total assets	$ 50,849,444			$ 51,711,748		
LIABILITIES						
Interest-bearing deposits:						
Savings and NOW	$ 6,475,370	9,557	0.30%	$ 5,935,037	10,390	0.35%
Money market	14,922,532	36,937	0.50%	16,403,463	60,123	0.74%
Time under $100,000	1,872,011	9,097	0.98%	2,306,123	16,023	1.40%
Time $100,000 and over	2,083,132	10,916	1.06%	2,749,800	17,193	1.26%
Foreign	1,464,950	4,234	0.58%	1,709,415	5,100	0.60%
Total interest-bearing deposits	26,817,995	70,741	0.53%	29,103,838	108,829	0.75%
Borrowed funds:						
Securities sold, not yet purchased	35,038	737	4.24%	45,834	1,042	4.58%
Federal funds purchased and security repurchase agreements	681,875	431	0.13%	1,003,843	867	0.17%
Other short-term borrowings	171,451	2,795	3.29%	178,935	4,644	5.23%
Long-term debt	1,918,788	196,326	20.63%	2,011,467	179,845	18.03%
Total borrowed funds	2,807,152	200,289	14.39%	3,240,079	186,398	11.60%
Total interest-bearing liabilities	29,625,147	271,030	1.84%	32,343,917	295,227	1.84%
Noninterest-bearing deposits	13,919,432			12,933,778		

Other liabilities	523,451			550,133		
Total liabilities	44,068,030			45,827,828		
Shareholders equity:						
Preferred equity	2,162,287			1,567,346		
Common equity	4,620,365			4,300,531		
Controlling interest shareholders equity	6,782,652			5,867,877		
Noncontrolling interests	(1,238)			16,043		
Total shareholders equity	6,781,414			5,883,920		
Total liabilities and shareholders equity	$ 50,849,444			$ 51,711,748		
Spread on average interest-bearing funds			3.02%			3.24%
Taxable-equivalent net interest income and net yield on interest-earning assets		$ 850,457	3.69%		$ 879,934	3.80%

[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 upon the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments at an adequate level based upon the inherent risks associated with such commitments. In

determining adequate levels of the allowance and reserve, we perform periodic evaluations of the Company s various portfolios, the levels of actual charge-offs, and credit trends and environmental factors. See Note 5 of the Notes to Consolidated Financial Statements and Credit Risk Management for more information on how we determine the appropriate level for the allowance for loan and lease losses and the reserve for unfunded lending commitments.

The provision for loan losses for the second quarter of 2011 was $1.3 million compared to $228.7 million for the same period in 2010. For the first six months of 2011 and 2010 the provision for loan losses was $61.3 million and $494.2 million, respectively. The decrease in the provision reflects an improvement in credit metrics, including lower levels of criticized and classified loans, lower realized loss rates in most loan segments, and lower balances in construction and land development loans, which declined by 38.5% from June 30, 2010.

Net loan and lease charge-offs fell to $112.2 million in the second quarter of 2011, compared to $255.2 million in the corresponding period in 2010. See Nonperforming Assets and Allowance and Reserve for Credit Losses for further details.

During the second quarter of 2011, the Company experienced improved credit quality of unfunded lending commitments and released $1.9 million from the related reserve, while it had incurred $0.5 million of provision expense in the corresponding prior year period. From period to period, the expense related to the reserve for unfunded lending commitments may be subject to sizeable fluctuations due to changes in the timing and volume of loan commitments, originations, and funding, as well as fluctuations in credit quality and historical loss experience.

Although classified and nonperforming loan volumes continue to be elevated, most measures of credit quality continued to show significant improvement during the first six months of 2011. The Company also experienced a decrease in special mention, classified, nonaccrual, and past due loans, as well as improvements in other credit metrics. Barring any significant economic downturn, the Company expects continued lower credit costs for the next several quarters due to reductions in loan balances in loan categories that have exhibited higher loss rates, such as construction and land development loans. We also anticipate continued reductions in criticized and classified loans of most types, and continued reduction in net charge-offs for at least the next several quarters, compared to the elevated levels experienced in 2009 and 2010.

Noninterest Income

Noninterest income represents revenues the Company earns for products and services that have no interest rate or yield associated with them. For the second quarter of 2011, noninterest income was $128.3 million compared to $109.4 million for the second quarter of 2010. The increase is mainly due to a $12.9 million reduction in net impairment losses on investment securities, an $8.4 million increase in dividends and other investment income, a $5.7 million increase in fair value and nonhedge derivative income, partially offset by a $9.0 million decline in services charges and fees on deposit accounts. Other significant changes in income that contributed to the change for the second quarter of 2011 are discussed below.

Service charges and fees on deposit accounts decreased to $42.9 million in the second quarter of 2011 from $51.9 million earned in the second quarter of 2010. This decline is primarily due to decreased nonsufficient funds (NSF) handling fees attributable to the implementation of revisions to Regulation E, as well as decreased account analysis fees charged on business accounts.

On June 29, 2011, the Federal Reserve voted to adopt regulations implementing the Durbin Amendment of The Dodd-Frank Act, which will limit debit card interchange fees charged by banks. The Company estimates the annual negative impact on bankcard fees to be approximately $35 million to $40 million pretax, or $8.75 million to $10.0 million

quarterly beginning in the fourth quarter of 2011. This negative impact will reduce fee income recognized in other service charges, commissions and fees.

Dividends and other investment income increased by 94.2% during the second quarter of 2011 from the $8.9 million earned during the second quarter of 2010. The increase is primarily attributable to higher earnings from noninterest-bearing investments including Farmer Mac and a one-time gain related to the increase in the value of the Company s investment in IdenTrust.

Loan sales and servicing income increased to $9.8 million during the second quarter of 2011 from $5.6 million earned during the second quarter of 2010. The increase was primarily driven by sales of several large commercial real estate loans at Amegy and Zions Bank.

Fair value and nonhedge derivative income was $4.2 million in the second quarter of 2011, while the Company had incurred a loss of $1.6 million in the same prior year period. The increased income was mainly due to an increase in the value of Eurodollar futures contracts.

The Company recognized net credit related impairment losses on CDO investment securities of $5.2 million during the second quarter of 2011 compared to $18.1 million during the corresponding period in 2010. See Investment Securities Portfolio for additional information.

Fixed income securities generated net losses of $2.4 million in the second quarter of 2011 compared to a $0.5 million gain in the same prior year period. The Company realized a $2.8 million gain from the sale of $69.1 million (amortized cost) of bank and insurance CDOs. This was offset by a $6.9 million loss on the sale of $26.2 million (amortized cost) of CDOs, which had originally been rated AAA.

For the first half of 2011, the Company earned $262.5 million of noninterest income compared to $217.0 million in the same prior year period. Explanations provided previously for the quarterly changes also apply to the year-to-date changes.

During the first six months of 2010, the Company exchanged $55.6 million of nonconvertible subordinated debt for 2,165,391 shares of common stock, resulting in a $14.5 million gain.

Noninterest Expense

Noninterest expense for the second quarter of 2011 was $416.3 million, a 3.3% decrease from the second quarter of 2010. The decrease is primarily due to a $24.5 million decrease in OREO expense, and an $11.2 million decrease in FDIC premiums, partially offset by a $16.4 million increase in salaries and employee benefits, and a $9.8 million increase in other noninterest expense.

Salaries and employee benefits were $222.1 million and $205.8 million for the second quarters of 2011 and 2010, respectively. Most of the increase is due to higher bonus, incentive, and other compensation expenses, which resulted from the Company s improved financial performance.

Other real estate expense decreased by 57.8% compared to the second quarter of 2010. The decrease is primarily driven by lower OREO balances and lower write-downs of OREO values during work-out. Additionally, some OREO properties were sold at a net gain.

FDIC premiums for the second quarter of 2011 decreased by $11.2 million from the corresponding period in 2010. The decrease is mostly caused by the change in the premium assessment formulas prescribed by the FDIC.

Other noninterest expense increased by $9.8 million from the second quarter of 2010. Most of the increase resulted from the write-down of the FDIC indemnification asset attributable to loans purchased from the FDIC during 2009. The loans have performed better than expected, and therefore the indemnification asset has declined in value. This write-down is more than offset by an increase in interest income accreted on those loans.

For the first six months of 2011, noninterest expense was $824.6 million compared to $819.5 million in the corresponding prior year period. Explanations provided previously for the quarterly changes also apply to the year-to-date changes.

Legal and professional services were $3.7 million lower in the first six months of 2011 than in the same prior year period. The increased legal and professional services during 2010 relate to the various capital transactions executed in 2010.

At June 30, 2011, the Company had 10,548 full-time equivalent employees, compared to 10,524 at December 31, 2010 and 10,543 at June 30, 2010.

Income Taxes

The Company s income tax expense for the second quarter of 2011 was $54.3 million compared to an income tax benefit of $22.9 million for the same period in 2010. The effective income tax rates, including the effects of noncontrolling interests, for the second quarter of 2011 and 2010 were 42.7% and 16.9%, respectively. The tax expense rate for the second quarter of 2011 was increased by the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock during the quarter. The tax benefit rate for the second quarter of 2010 was reduced primarily by the impact of the taxable surrender of certain bank-owned life insurance policies and the nondeductibility of a portion of the accelerated discount amortization from the subordinated debt conversions. As discussed in previous filings, the Company has received federal income tax credits under the U.S. Government s Community Development Financial Institutions Fund that are recognized over a seven-year period from the year of investment. The effect of these tax credits was to reduce income tax expense by $0.6 million for the second quarter of 2011 and by $1.5 million for the second quarter of 2010.

The Company had a net deferred tax asset (DTA) balance of $481 million at June 30, 2011, compared to $540 million at December 31, 2010. The decrease in the DTA resulted primarily from loan charge-offs in excess of loan loss provisions, security and derivative fair value adjustments and the utilization of net operating loss and tax credit carryforward items. The decrease in the deferred tax liability related to the nondeductibility of a portion of the accelerated discount amortization from the conversion of subordinated debt to preferred stock did offset some of the overall decrease in DTA. The Company did not record an additional valuation allowance as of June 30, 2011. In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. The ultimate realization of DTAs is based on the Company s ability to carry back net operating losses to prior tax periods, tax planning strategies that are prudent and feasible and current forecasts of future taxable income, including the reversal of deferred tax liabilities (DTLs), which can absorb losses generated in or carried forward to a particular tax year. After evaluating all of the factors and considering the weight of the positive evidence compared to the negative evidence, management has concluded it is more likely than not that the Company will realize the existing DTAs and that an additional valuation allowance is not needed. In addition, the Company has pursued strategies which may have the effect of mitigating the future possibility of a DTA valuation allowance.

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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. Another of our goals is to maintain a higher-yielding mix of interest earning assets, such as loans, relative to lower-yielding assets, such as money market investments and securities, while maintaining adequate levels of highly liquid assets. The current period of slow economic growth, accompanied by the low loan demand experienced in recent quarters, has made it difficult to consistently achieve these goals due to higher levels of deposit funding that cannot be deployed in other than low-yielding, liquid assets.

Average interest-earning assets were $46.5 billion for the first six months of 2011 compared to $46.7 billion for the same period in 2010. Average interest-earning assets as a percentage of total average assets for the first six months of 2011 was 91.5% compared to 90.3% for the comparable period of 2010. Average loans and leases were $36.8 billion for the first six months of 2011 compared to $39.1 billion for the same period in 2010. Average loans and leases as a percentage of total average assets for the first six months of 2011 was 72.3% compared to 75.7% for the same period in 2010.

Average money market investments, consisting of interest-bearing deposits, federal funds sold and security resell agreements, grew by 52.9% to $4.7 billion for the first six months of 2011 compared to $3.0 billion for the same period of 2010. Average securities increased by 14.4%, but average net loans and leases decreased by 6.1% for the first six months of 2011 compared to the same period in 2010. The increases in average money market investments and average securities are a reflection of the fact that loan balances have decreased at a faster pace than the net decrease in customer deposits and other funding sources.

Investment Securities Portfolio

We invest in securities to generate revenues for the Company; portions of the portfolio are also available as a source of liquidity. The following schedules present a profile of the Company s investment securities portfolio with asset-backed securities classified by credit ratings. The amortized cost amounts represent the Company s original cost for the investments, adjusted for accumulated amortization or accretion of any yield adjustments related to the security, and credit impairment losses. The estimated fair value measurement levels and methodology are discussed in detail in Note 9 of the Notes to Consolidated Financial Statements.

The first two tables present the Company s asset-backed securities, classified by the highest of the ratings and the lowest of the ratings from any of Moody s Investors Service, Fitch Ratings or Standard & Poors.

In the discussion of our investment portfolio below, we have included certain credit rating information, because that information is one indication of the degree of credit risk to which we are exposed, and significant changes in ratings classifications for our investment portfolio could indicate an increased level of risk for the Company. We note that the Dodd-Frank Act requires that the use of rating agency ratings cannot be mandated by any Federal agency for any purpose after July 21, 2011. It is difficult at this time, to assess the impact, if any, this new requirement may have on the valuations of the Company s investment securities.

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INVESTMENT SECURITIES PORTFOLIO

ASSET-BACKED SECURITIES CLASSIFIED AT HIGHEST CREDIT RATING *

As of June 30, 2011

(In millions)	Par value	Amortized cost	Net unrealized gains (losses) recognized in OCI [1]	Carrying value	Net unrealized gains (losses) not recognized in OCI [1]	Estimated fair value
Held-to-maturity						
Municipal securities	$ 570	$ 567	$	$ 567	$ 8	$ 575
Asset-backed securities:						
Trust preferred securities predominantly bank						
Noninvestment grade	63	63	(7)	56	(25)	31
Noninvestment grade OTTI/PIK [2] d	26	25	(3)	22	(12)	10
	89	88	(10)	78	(37)	41
Trust preferred securities predominantly insurance						
Noninvestment grade	176	176	(14)	162	(30)	132
	176	176	(14)	162	(30)	132
Other						
AAA rated	1	1		1		1
Noninvestment grade	20	18		18	(8)	10
Noninvestment grade OTTI/PIK [2] d	11	7	(3)	4		4
	32	26	(3)	23	(8)	15
	867	857	(27)	830	(67)	763
Available-for-sale						
U.S. Treasury securities	706	706		706		706
U.S. Government agencies and corporations:						
Agency securities	177	177	6	183		183
Agency guaranteed mortgage-backed securities	579	598	16	614		614
Small Business Administration loan-backed securities	947	1,021	(4)	1,017		1,017
Municipal securities	138	136	2	138		138
Asset-backed securities:						
Trust preferred securities predominantly bank						
AAA rated	8	8		8		8
AA rated	106	73	3	76		76
A rated	278	226	(18)	208		208
BBB rated	218	211	(74)	137		137
Noninvestment grade	339	306	(108)	198		198
Noninvestment grade OTTI/PIK [2] d	971	725	(495)	230		230
	1,920	1,549	(692)	857		857

Trust preferred securities predominantly insurance						
AA rated	67	61		61		61
A rated	31	31	(4)	27		27
Noninvestment grade	188	188	(56)	132		132
Noninvestment grade OTTI/PIK[2] d	6	6	(2)	4		4
	292	286	(62)	224		224
Trust preferred securities single banks						
Not rated	25	25	(7)	18		18
	25	25	(7)	18		18
Trust preferred securities real estate investment trusts						
Noninvestment grade	25	16	(2)	14		14
Noninvestment grade OTTI/PIK [2]d	45	24	(19)	5		5
	70	40	(21)	19		19
Auction rate securities						
AAA rated	98	92	(1)	91		91
	98	92	(1)	91		91
Other						
AAA rated	8	7	1	8		8
AA rated	13	13	(4)	9		9
A rated	24	24		24		24
Noninvestment grade	6	5	(2)	3		3
Noninvestment grade OTTI/PIK [2]d	48	21	(11)	10		10
	99	70	(16)	54		54
	5,051	4,700	(779)	3,921		3,921
Mutual funds and stock	163	163	1	164		164
	5,214	4,863	(778)	4,085		4,085
Total	$ 6,081	$ 5,720	$ (805)	$ 4,915	$ (67)	$ 4,848

* *Ratings categories include entire range. For example, A rated includes A+, A and A-. Split rated securities with more than one rating are categorized at the highest rating level.*

[1] *Other comprehensive income. All amounts reported are pretax.*

[2] *Consists of securities determined to have other-than-temporary impairment (OTTI) and/or securities whose most recent interest payment was capitalized as opposed to being paid in cash, as permitted under the terms of the security. This capitalization feature is known as Payment In Kind (PIK) and where exercised the security is called PIK d.*

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INVESTMENT SECURITIES PORTFOLIO

ASSET-BACKED SECURITIES CLASSIFIED AT LOWEST CREDIT RATING *

As of June 30, 2011

(In millions)	Par value	Amortized cost	Net unrealized gains (losses) recognized in OCI [1]	Carrying value	Net unrealized gains (losses) not recognized in OCI [1]	Estimated fair value
Held-to-maturity						
Municipal securities	$ 570	$ 567	$	$ 567	$ 8	$ 575
Asset-backed securities:						
Trust preferred securities predominantly bank						
Noninvestment grade	63	63	(7)	56	(25)	31
Noninvestment grade OTTI/PIK [2] d	26	25	(3)	22	(12)	10
	89	88	(10)	78	(37)	41
Trust preferred securities predominantly insurance						
Noninvestment grade	176	176	(14)	162	(30)	132
	176	176	(14)	162	(30)	132
Other						
A rated	1	1		1		1
Noninvestment grade	20	18		18	(8)	10
Noninvestment grade OTTI/PIK [2] d	11	7	(3)	4		4
	32	26	(3)	23	(8)	15
	867	857	(27)	830	(67)	763
Available-for-sale						
U.S. Treasury securities	706	706		706		706
U.S. Government agencies and corporations:						
Agency securities	177	177	6	183		183
Agency guaranteed mortgage-backed securities	579	598	16	614		614
Small Business Administration loan-backed securities	947	1,021	(4)	1,017		1,017
Municipal securities	138	136	2	138		138
Asset-backed securities:						
Trust preferred securities predominantly bank						
BBB rated	107	74	3	77		77
Noninvestment grade	842	750	(200)	550		550
Noninvestment grade OTTI/PIK [2] d	971	725	(495)	230		230
	1,920	1,549	(692)	857		857
Trust preferred securities predominantly insurance						
AA rated	62	57		57		57

A rated	4	4		4		4
Noninvestment grade	220	219	(60)	159		159
Noninvestment grade OTTI/PIK[2] d	6	6	(2)	4		4
	292	286	(62)	224		224
Trust preferred securities single banks						
Not rated	25	25	(7)	18		18
	25	25	(7)	18		18
Trust preferred securities real estate investment trusts						
Noninvestment grade	25	16	(2)	14		14
Noninvestment grade OTTI/PIK [2]d	45	24	(19)	5		5
	70	40	(21)	19		19
Auction rate securities						
AAA rated	98	92	(1)	91		91
	98	92	(1)	91		91
Other						
AAA rated	6	5	1	6		6
AA rated	13	13	(4)	9		9
A rated	26	26		26		26
Noninvestment grade	6	5	(2)	3		3
Noninvestment grade OTTI/PIK [2]d	48	21	(11)	10		10
	99	70	(16)	54		54
	5,051	4,700	(779)	3,921		3,921
Mutual funds and stock	163	163	1	164		164
	5,214	4,863	(778)	4,085		4,085
Total	$ 6,081	$ 5,720	$ (805)	$ 4,915	$ (67)	$ 4,848

* *Ratings categories include entire range. For example, A rated includes A+, A and A-. Split rated securities with more than one rating are categorized at the lowest rating level.*

[1] *Other comprehensive income. All amounts reported are pretax.*

[2] *Consists of securities determined to have OTTI and/or securities whose most recent interest payment was capitalized as opposed to being paid in cash, as permitted under the terms of the security. This capitalization feature is known as Payment In Kind (PIK) and where exercised the security is called PIK d.*

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(In millions)	June 30, 2011 Amortized cost	June 30, 2011 Carrying value	June 30, 2011 Estimated fair value	December 31, 2010 Amortized cost	December 31, 2010 Carrying value	December 31, 2010 Estimated fair value	June 30, 2010 Amortized cost	June 30, 2010 Carrying value	June 30, 2010 Estimated fair value
Held-to-maturity									
Municipal securities	$ 567	$ 567	$ 575	$ 578	$ 578	$ 582	$ 588	$ 588	$ 595
Asset-backed securities:									
Trust preferred securities banks and insurance	264	240	173	263	239	189	265	240	190
Other	26	23	15	28	24	17	29	25	18
	$ 857	$ 830	$ 763	$ 869	$ 841	$ 788	$ 882	$ 853	$ 803
Available-for-sale									
U.S. Treasury securities	$ 706	$ 706	$ 706	$ 705	$ 706	$ 706	$ 39	$ 39	$ 39
U.S. Government agencies and corporations:									
Agency securities	177	183	183	201	208	208	222	228	228
Agency guaranteed mortgage-backed securities	598	614	614	566	576	576	348	362	362
Small Business Administration loan-backed securities	1,021	1,017	1,017	867	868	868	807	799	799
Municipal securities	136	138	138	156	158	158	220	224	224
Asset-backed securities:									
Trust preferred securities banks and insurance	1,860	1,099	1,099	1,947	1,243	1,243	1,977	1,313	1,313
Trust preferred securities real estate investment trusts	40	19	19	46	19	19	53	24	24
Auction rate securities	92	91	91	111	110	110	156	157	157
Other	70	54	54	103	81	81	110	85	85
	4,700	3,921	3,921	4,702	3,969	3,969	3,932	3,231	3,231
Mutual funds and stock	163	164	164	237	237	237	185	185	185
	4,863	4,085	4,085	4,939	4,206	4,206	4,117	3,416	3,416
Total	$ 5,720	$ 4,915	$ 4,848	$ 5,808	$ 5,047	$ 4,994	$ 4,999	$ 4,269	$ 4,219

The amortized cost of investment securities on June 30, 2011 decreased by 1.5% and increased by 14.4% from the balances on December 31, 2010 and June 30, 2010, respectively. The change from June 30, 2010 to June 30, 2011 was primarily due to increased investments in U.S. Treasury securities, agency guaranteed mortgage-backed securities, and Small Business Administration loan-backed securities, partially offset by decreases in bank and insurance company trust preferred securities and municipal securities.

On June 30, 2011, 21.1% of the $4.1 billion fair value of available-for-sale securities portfolio was valued at Level 1, 47.8% was valued at Level 2, and 31.1% was valued at Level 3 under the GAAP fair value accounting valuation hierarchy. On December 31, 2010 the fair value of available-for-sale securities totaled $4.2 billion, of which 22.2% was valued at Level 1, 43.0% at Level 2, and 34.8% at Level 3. See Note 9 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

The amortized cost of available-for-sale investment securities valued at Level 3 was $2,074 million at June 30, 2011 and the fair value of these securities was $1,272 million. The securities valued at Level 3 were comprised of ABS CDOs and auction rate securities. For these Level 3 securities, net pretax unrealized loss recognized in OCI at the end of the second quarter of 2011 was $802 million. As of June 30, 2011, we believe that we will receive on settlement or maturity at least the amortized cost amounts of the Level 3 available-for-sale securities. This expectation applies to both those securities for which OTTI has been recognized and those for which no OTTI has been recognized.

Valuation and Sensitivity Analysis of Level 3 Bank and Insurance CDOs

The following schedule sets forth the sensitivity of the current CDO fair values, using an internal model, to changes in the most significant assumptions utilized in the model:

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SENSITIVITY OF INTERNAL MODEL

(Amounts in millions)		Bank and Insurance CDOs at Level 3 Held-to-maturity		Available-for-sale	
Fair value balance at June 30, 2011		$ 173		$ 1,073	
		Incremental	**Cumulative**	**Incremental**	**Cumulative**
Currently Modeled Assumptions					
Expected collateral credit losses [1]					
Loss percentage from currently defaulted or deferring collateral [2]			4.5%		19.6%
Projected loss percentage from currently performing collateral					
1-year		0.2%	4.6%	0.3%	20.0%
years 2-5		0.5%	5.2%	0.5%	20.4%
years 6-30		10.4%	15.6%	7.9%	28.3%
Discount rate [3]					
Weighted average spread over LIBOR		603bp		924bp	
Sensitivity of Modeled Assumptions					
Decrease in fair value due to increase in projected loss percentage from currently performing collateral [4]	25%	$ (0.2)		$ (5.0)	
	50%	(0.4)		(9.4)	
	100%	(1.2)		(17.9)	
Decrease in fair value due to increase in projected loss percentage from currently performing collateral [4] and the immediate default of all deferring collateral with no recovery	25%	$ (5.3)		$ (128.5)	
	50%	(5.7)		(132.4)	
	100%	(6.6)		(139.5)	
Decrease in fair value due to increase in discount rate	+ 100 bp	$ (15.6)		$ (87.7)	
	+ 200 bp	(29.3)		(164.8)	
Decrease in fair value due to:				$ 16.3	
Increase in prepayment assumption [5]	+1%	$ 2.0		$ 16.3	
Decrease in prepayment assumption [6]	-1%	(2.1)		(15.9)	

[1] *The Company uses an expected credit loss model which specifies cumulative losses at the 1-year, 5-year, and 30-year points from the date of valuation. These current and projected losses are reflected in the CDO s fair value.*

[2] *Weighted average percentage of collateral that is defaulted due to bank failures, or deferring payment as allowed under the terms of the security, including a 0% recovery rate on defaulted collateral and a credit-specific probability of default on deferring collateral which ranges from 1.65% to 100%.*

[3] *The discount rate is a spread over the LIBOR swap yield curve at the date of valuation.*

[4] *Percentage increase is applied to incremental projected loss percentages from currently performing collateral. For example, the 50% and 100% stress scenarios for AFS securities would result in cumulative 30 year losses of 32.7%=28.3%+50%(0.3%+0.5%+7.9%) and 37.0%=28.3%+100%(0.3%+0.5%+7.9%) respectively.*

[5] *Prepayment rate in years 6 to maturity increased to 3%.*

[6] *Prepayment rate in years 6 to maturity decreased to 1%.*

The Dodd-Frank Act became effective during the third quarter of 2010, and it disallows the inclusion of trust preferred securities in Tier 1 capital for banks with assets over $15 billion. For those institutions within each pool with investment grade ratings, we assume that trust preferred securities will be called prior to the end of the disallowance period. Prior to the third quarter of 2010 and the enactment of this legislation, we had assumed a prepayment rate of 0% for five years for each CDO pool, followed by a 2% annual prepayment rate thereafter. Effective from the third quarter of 2010, we utilize a pool specific prepayment rate for the next five years calculated with reference to the percentage of each pool s performing collateral which consists of collateral from banks in excess of $15 billion in assets and with investment

grade ratings. We

assume that these large banks will fully prepay by the end of 2015 with prepayment behaviors skewed toward the end of the disallowance period.

For the second quarter of 2011, the resulting average annual prepayment rate assumption for pools which include large banks is 1.61% for each of the first three years followed by an average annual prepayment rate assumption of 4.83% for years four and five. For pools without large banks, we continue to assume a 0% five year prepayment rate. In years six through maturity, we continue to assume a 2% annual prepayment rate for both portions of the portfolio. Increased prepayment rates are generally favorable for the most senior tranches and adverse to the more junior tranches. Prepayment sensitivities are provided in the previous schedule. Slightly increasing the prepayment rate for year 6 to maturity to 3% from the assumed 2% constant prepayment rate (CPR) increases the fair value of the portfolio, while decreasing the rate to 1% reduces the fair value.

Near term expected collateral credit losses remained generally unchanged in the second quarter of 2011. Longer term expected losses for CDOs with bank collateral increased for years 6 to maturity due to an assumption change. Starting in year 6, the Company now assumes a 50 bps minimum annual loss rate for pools with bank collateral in order to weight more recent bank failure rates more heavily than did the previous 30 bps assumption which was based on long term historical average bank default rates. The assumption change had no material fair value impact. The valuation of CDOs is further discussed in Note 9 of the Notes to Consolidated Financial Statements.

The weighted average discount rate used for the portfolio increased by 103 basis points from last quarter. Decreases in discount rates utilized for original AAA-rated securities were more than offset by increased discount rates used for original A and BBB-rated securities. The valuation of the AFS and HTM portfolios, including the use of trading prices, is further discussed in Note 9 of the Notes to Consolidated Financial Statements.

During the second quarter of 2011, the Company recognized credit-related net impairment losses on CDOs of $5.2 million, compared to losses of $18.1 million for the corresponding period in 2010. Credit-related net impairment losses were $8.3 million and $49.3 million during the first six months of 2011 and 2010, respectively.

The following schedules provide additional information on the below-investment-grade rated bank and insurance trust preferred CDOs portion of the AFS and HTM portfolios. The schedules reflect data and assumptions that are included in the calculations of fair value and OTTI. The schedules utilize the lowest rating to identify those securities below investment grade. The schedules segment the securities by whether or not they have been determined to have OTTI, and by original ratings level to provide granularity on the seniority level of the securities and the distribution of unrealized losses. The best and worst pool-level statistic for each original ratings subgroup is presented, not the best and worst single security within the original ratings grouping. The number of issuers and number of currently performing issuers noted in the later schedule are from the same security. The remaining statistics may not be from the same security.

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BELOW-INVESTMENT-GRADE RATED BANK AND INSURANCE TRUST PREFERRED CDOS BY ORIGINAL RATINGS LEVEL

AT JUNE 30, 2011

(Dollar amounts in millions)			Total				Credit loss		Valuation losses [1]
	Number of securities	% of portfolio	Par value	Amortized cost	Estimated fair value	Unrealized loss	Current year	Life-to-date	Life-to-date
Original ratings of securities, non-OTTI:									
Original AAA	27	37.6%	$ 869.4	$ 776.3	$ 572.8	$ (203.5)	$	$	$ (99.6)
Original A	22	20.9%	482.0	482.0	310.7	(171.4)			
Original BBB	6	2.5%	58.5	58.4	29.8	(28.6)			
Total Non-OTTI		61.0%	1,409.9	1,316.7	913.3	(403.5)			(99.6)
Original ratings of securities, OTTI:									
Original AAA	1	2.2%	50.0	43.4	20.1	(23.3)		(4.8)	(1.9)
Original A	40	34.3%	789.5	581.4	179.0	(402.4)	(4.9)	(207.1)	
Original BBB	5	2.4%	55.1	22.4	2.5	(19.9)		(32.5)	
Total OTTI		38.9%	894.6	647.2	201.6	(445.6)	(4.9)	(244.4)	(1.9)
Total noninvestment grade bank and insurance CDOs		99.9%	$ 2,304.5	$ 1,963.9	$ 1,114.9	$ (849.1)	$ (4.9)	$ (244.4)	$ (101.5)

[1] *Valuation losses were taken in securities purchased from Lockhart Funding LLC prior to its consolidation in June 2009.*

	Average holding [1]			
	Par value	Amortized cost	Estimated fair value	Unrealized gain (loss)
Original ratings of securities, non-OTTI:				
Original AAA	$ 31.1	$ 27.7	$ 20.5	$ (7.3)
Original A	16.1	16.1	10.4	(5.7)
Original BBB	9.8	9.7	5.0	(4.8)
Original ratings of securities, OTTI:				
Original AAA	50.0	43.4	20.1	(23.3)
Original A	15.5	11.4	3.5	(7.9)
Original BBB	11.0	4.5	0.5	(4.0)

[1] *The Company may have more than one holding of the same security.*

POOL LEVEL PERFORMANCE AND PROJECTIONS FOR BELOW-INVESTMENT-GRADE RATED BANK AND INSURANCE TRUST PREFERRED CDOs

AT JUNE 30, 2011

	Current lowest rating	# of issuers in collateral pool	# of issuers currently performing [1]	% of original collateral defaulted [2]	% of original collateral deferring [3]	Subordination as % of performing collateral [4]	Collateralization % [5]	Present value of expected cash flows discounted at coupon rate as a % of par [6]	Lifetime additional projected loss from performing collateral [7]
Original Ratings of Securities, non-OTTI:									
Original AAA									
Best	BB	25	23		6.89%	87.31%	787.82%	100%	0.00%
Weighted Average		50	33	14.96%	13.53%	39.67%	254.30%	100%	8.23%
Worst	CC	19	7	28.71%	25.07%	9.29%	157.23%	100%	11.82%
Original A									
Best	B	35	34		0.69%	27.67%	308.12%	100%	8.47%
Weighted Average		25	21	2.85%	7.69%	10.46%	133.43%	100%	10.94%
Worst	C	6	4	11.53%	25.07%	(9.97%)[8]	71.26%[9]	100%	12.09%
Original BBB									
Best	CCC	35	34		3.00%	15.97%	353.81%	100%	10.61%
Weighted Average		42	38	2.01%	5.56%	6.93%	214.17%	100%	11.31%
Worst	C	25	21	6.03%	9.33%	(6.47%) [8]	(3.69%) [9]	100%	12.09%
Original Ratings of Securities, OTTI:									
Original AAA									
Single Security	CCC	43	25	16.89%	22.84%	28.35%	231.56%	94%	7.51%
Original A									
Best	CCC	38	31		1.89%	55.65%	225.47%	100%	0.00%
Weighted Average		38	24	11.13%	18.20%	(15.11%)	61.66%	87%	8.29%
Worst	C	3	0	20.61%	29.85%	(50.08%)	4.20%	57%	10.76%
Original BBB									
Best	C	74	51	13.35%	11.87%	(10.27%)	74.55%	96%	7.29%
Weighted Average		33	21	15.13%	20.91%	(26.74%)	(165.85%)	66%	8.30%
Worst	C	37	19	16.89%	25.10%	(38.32%)	(269.22%)	41%	9.72%

[1] *Excludes both defaulted issuers and issuers that have elected to defer payment of current interest.*
[2] *Collateral is identified as defaulted when a regulator closes an issuing bank.*
[3] *Collateral is identified as deferring when the Company becomes aware that an issuer has announced or elected to defer interest payment on trust preferred debt.*
[4] *Utilizes the Company s loss assumption of 100% on defaulted collateral and the Company s issuer specific loss assumption of from 1.65% to 100% dependent on credit for each deferring piece of collateral. Subordination in the schedule includes the effects of seniority level within the CDOs liability structure, the Company s loss and recovery rate assumption for deferring but not defaulted collateral and a 0% recovery rate for defaulted collateral. The numerator is all collateral less the sum of (i) 100% of the defaulted collateral, (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral and (iii) the amount of each CDO s debt which is either senior to or pari passu with our security s priority level. The denominator is all collateral less the sum of (i) 100% of the defaulted collateral and (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral.*
[5] *Utilizes the Company s loss assumption of 100% on defaulted collateral and the Company s issuer specific loss assumption of from 1.65% to 100% dependent on credit for each deferring piece of collateral. Collateralization in the schedule identifies the portion of a CDO tranche that is backed by nondefaulted collateral. The numerator is all collateral less the sum of (i) 100% of the defaulted collateral, (ii) the sum of the projected net loss amounts for each piece of deferring but not defaulted collateral and (iii) the amount of each CDO s debt which is senior to our security s priority level. The denominator is the par amount of the tranche. Par is defined as the original par less any principal paydowns.*
[6] *For OTTI securities, this statistic approximates the extent of OTTI credit losses taken.*
[7] *This is the same statistic presented in the preceding sensitivity schedule and incorporated in the fair value and OTTI calculations. The statistic is the sum of incremental projected loss percentages from currently paying collateral for year one, years two through five and years six through thirty.*
[8] *Negative subordination is projected to be remedied by excess spread prior to maturity.*
[9] *Collateralization shortfall is projected to be remedied by excess spread prior to maturity.*

Certain original A and BBB-rated securities described in the schedule above currently have negative subordination and are therefore under-collateralized, and yet are not identified as having OTTI. This is because each security s cash flow projection shows negative subordination being cured prior to the security s maturity. The collateral backing of a tranche can be increased by decreasing the more senior liabilities of the CDO. This occurs when collateral deterioration due to defaults and deferral triggers alternative waterfall provisions for the cash flow. A structural credit protection feature of the trust preferred CDOs reroutes cash flow from interest collections from the more junior classes of debt (which include the income notes or equity tranche) in order to pay down the principal of the most senior liabilities. As these senior liabilities are paid down while the collateral remains unchanged (if there are no additional unexpected defaults), the senior tranches become better secured. The rerouting then diverts cash away from the most junior classes of debt or income notes and gives priority to our junior class. Our cash flow projections predict full payment of principal and interest.

The Company s loss and recovery experience as of June 30, 2011 (and our Level 3 modeling assumption) is essentially a 100% loss on defaults, although we have, to date, received several, generally small, recoveries on defaults. Our experience with deferring bank collateral has been that of all collateral that has elected to defer beginning in 2007 or thereafter, 45.2% has defaulted, and approximately 50.8% remains in deferral and within the allowable deferrable period. Nineteen issuing banks, with collateral aggregating to 4.0% of all deferrals and 7.3% of all surviving deferrals, have come current and resumed interest payments on their trust preferred securities after previously deferring some payments. Older deferrals are more likely to have defaulted. Approximately 89% of the bank collateral which first deferred prior to January 1, 2009 had defaulted by June 30, 2011. For bank collateral which first deferred on or after January 1, 2009, 29% had defaulted by June 30, 2011. New deferrals peaked in 2009. In 2008, 9.2% of collateral performing at the start of the year elected to defer by year end. This contrasts with 19.1% in 2009 and 10% in 2010. A total of $358.4 million of bank collateral elected to defer during the first half of 2011. This comprises 3.2% of the collateral performing at the start of 2011. Further information on the Company s valuation process is detailed in Note 9 of the Notes to Consolidated Financial Statements.

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Other-than-Temporary Impairment Investments in Debt Securities

We review investments in debt securities on an ongoing basis for the presence of OTTI, taking into consideration current market conditions, estimated credit impairment, if any, fair value in relationship to cost, the extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, our ability and intent to hold investments until a recovery of amortized cost which may be maturity, and other factors. For securities where an internal income-based cash flow model or third party valuation service produces a loss-adjusted expected cash flow for the security, the presence of OTTI is identified and the amount of the credit component of OTTI is calculated by discounting this loss-adjusted cash flow at the security s coupon rate and comparing that value to the Company s amortized cost of the security.

Under ASC 320, the full extent of the difference between amortized cost and fair value is recognized through earnings if fair value is below amortized cost and the investor either intends to sell the security or has found that it is more likely than not that the investor will be forced to sell prior to recovery of its amortized cost basis. The new guidance, as amended effective January 1, 2009, drew a distinction between the component of the difference between amortized cost and fair value due to credit and that due to all other factors including illiquidity. For holders who neither intend to sell nor judge it more likely than not that they will be required to sell prior to recovery of amortized cost, which might be maturity, only the amount of impairment representing credit loss is recognized in earnings.

We review the relevant facts and circumstances each quarter in order to assess our intentions regarding any sale of securities as well as the likelihood that we would be required to sell prior to recovery of amortized cost. To date, for each security whose fair value is below amortized cost, we have determined that we do not intend to sell the security and that it is not more likely than not that we will be required to sell the security before recovery of its amortized cost basis. We then evaluate the difference between the fair value and the amortized cost of each security and identify if any of the difference is due to credit. The credit component of the difference is recognized in earnings and the amortized cost is written down for each security found to have OTTI.

For some CDO tranches for which we previously recorded OTTI, expected future cash flows have remained stable or slightly improved subsequent to the quarter that OTTI was identified and recorded. In these cases, while a large difference may remain between fair value and amortized cost, the difference is not due to credit. The expected future cash flow substantiates the return of the full amortized cost as described below. For other CDO tranches, an adverse change in the expected future cash flow has resulted in the recording of additional OTTI.

We utilize a present value technique both to identify the OTTI present in the CDO tranches and to estimate fair value. For purposes of determining the portion of the difference between fair value and amortized cost that is due to credit, we follow ASC 310, which includes paragraphs 12-16 of the former FASB Statement No. 114. The standard specifies that a cash flow projection can be present valued at the security specific effective interest rate and the resulting present value compared to the amortized cost in order to quantify the credit component of impairment. Since our early adoption of the new guidance under ASC 320 on January 1, 2009, we have followed this methodology to identify the credit component of impairment to be recognized in earnings each quarter.

The Company incurred $5.2 million of credit-related OTTI charges recorded in earnings during the second quarter of 2011. One of the securities deemed to have OTTI this quarter was an ABS CDO, one was an RMBS security and the other three were CDOs collateralized by bank trust preferred securities. Future reviews for OTTI will consider the particular facts and circumstances during the reporting period in review.

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Exposure to State and Local Governments

The Company provides multiple services to state and local governments (referred to together as municipalities), including deposit services, loans, investment banking services, and by investing in securities issued by them.

The following table summarizes the Company s exposure to municipalities:

(In thousands)	June 30, 2011	December 31, 2010
Loans and leases	$ 449,414	$ 438,985
Held-to-maturity municipal securities	567,354	577,527
Available-for-sale municipal securities	138,174	157,708
Available-for-sale auction rate securities	90,986	109,281
Trading account municipal securities	9,374	12,446
Unused commitments to extend credit	38,545	31,492
Total direct exposure to municipalities	$ 1,293,847	$ 1,327,439

Company policy requires that extensions of credit to municipalities be subjected to specific underwriting standards by the corporate municipal credit department. At June 30, 2011 all of the outstanding municipal loans were performing; however, one $5.9 million loan was placed on nonaccrual during the second quarter of 2011. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and a substantial portion of the outstanding credits were to municipalities located in Texas, Utah and Colorado. See Note 5 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. HTM securities consist of unrated bonds issued by small local governmental entities and are purchased through private placements. Prior to purchase, the issuers of HTM and AFS municipal securities are evaluated by the Company for their credit worthiness, and some of the securities are guaranteed by third parties. Of the AFS municipal securities, 97% are rated by major credit rating agencies and were rated investment grade as of June 30, 2011. Municipal securities in the trading account are held for resale to customers. The Company underwrites municipal bonds which are sold to third party investors.

Loan Portfolio

As of June 30, 2011, net loans and leases were $36.8 billion, reflecting a 0.2% increase from December 31, 2010, and a 3.1% decrease from June 30, 2010. During the latter half of 2010, paydowns and charge-offs more than offset new originations, but during the second quarter of 2011 the loan portfolio grew due to increased loan demand and a smaller decline in the amount of construction and land development loans.

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The following table sets forth the loan portfolio by type of loan:

(Amounts in millions)	June 30, 2011		December 31, 2010		June 30, 2010	
	Amount	% of total loans	Amount	% of total loans	Amount	% of total loans
Commercial:						
Commercial and industrial	$ 9,573	25.9%	$ 9,167	24.9%	$ 9,149	24.0%
Leasing	406	1.1%	410	1.1%	442	1.2%
Owner occupied	8,427	22.8%	8,218	22.3%	8,334	21.9%
Municipal	449	1.2%	439	1.2%	321	0.8%
Total commercial	18,855		18,234		18,246	
Commercial real estate:						
Construction and land development	2,757	7.5%	3,499	9.5%	4,484	11.8%
Term	7,722	20.9%	7,650	20.8%	7,567	19.8%
Total commercial real estate	10,479		11,149		12,051	
Consumer:						
Home equity credit line	2,140	5.8%	2,142	5.8%	2,139	5.6%
1-4 family residential	3,801	10.3%	3,499	9.5%	3,549	9.3%
Construction and other consumer real estate	308	0.8%	343	0.9%	380	1.0%
Bankcard and other revolving plans	280	0.8%	297	0.8%	285	0.7%
Other	229	0.6%	233	0.6%	271	0.7%
Total consumer	6,758		6,514		6,624	
FDIC-supported loans	854	2.3%	971	2.6%	1,208	3.2%
Total loans	$ 36,946	100.0%	$ 36,868	100.0%	$ 38,129	100.0%

[1] *FDIC-supported loans represent loans acquired from the FDIC subject to loss sharing agreements.*

Most of the loan portfolio growth during the first six months of 2011 occurred in commercial and industrial, commercial owner occupied, and 1-4 family residential consumer loans. The total loan portfolio grew primarily at Amegy, NBA, and Vectra, while Zions Bank, CB&T, and NSB experienced a decline in balances. Commercial construction loan balances continued to decrease. Some of them have been converted to term loans as projects have been completed and the demand for new credit has been low due to the current state of the construction and real estate industries. We expect commercial construction and land development loans to continue to decline in future quarters as demand for these types of loans remains weak. However, we expect the total loan portfolio to remain relatively stable in the third quarter.

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Other Noninterest-Bearing Investments

The following table sets forth the Company s other noninterest-bearing investments:

(In millions)	June 30, 2011	December 31, 2010	June 30, 2010
Bank-owned life insurance	$ 436	$ 428	$ 422
Federal Home Loan Bank stock	120	125	133
Federal Reserve stock	129	128	126
SBIC investments	41	38	44
Non-SBIC investment funds and other	102	96	94
Investments in ADC arrangements	6	17	18
Other public companies	11	12	16
Trust preferred securities	14	14	14
	$ 859	$ 858	$ 867

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits for the first six months of 2011 decreased by 3.1% compared to the same period in 2010; average interest-bearing deposits decreased by 7.9% and average noninterest-bearing deposits grew by 7.6%. The increase is primarily due to higher balances in business customers accounts. Core deposits at June 30, 2011, which exclude time deposits larger than $100,000 and brokered deposits, grew by 1.6%, or $597 million, from December 31, 2010.

Demand, savings and money market deposits comprised 87.3% of total deposits at the end of the second quarter of 2011, compared with 85.8% and 84.9% as of December 31, 2010 and June 30, 2010, respectively.

During 2010 and 2011, the Company reduced brokered deposits due to excess liquidity and weak loan demand. At June 30, 2011, total deposits included $328 million of brokered deposits compared to $435 million at December 31, 2010 and $481 million at June 30, 2010.

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. We apply various strategies to reduce the risks to which the Company s operations are exposed, including credit, interest rate and market, liquidity and operational risks.

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.

Centralized oversight of credit risk is provided through a uniform credit policy, credit administration, and credit examination functions at the Parent. Effective management of credit risk is essential in maintaining a safe, sound and profitable financial institution. We have structured the organization to separate the lending

function from the credit administration function, which has added strength to the 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. In addition, the Company has a well-defined set of standards for evaluating its loan portfolio and management utilizes a comprehensive loan grading system to determine the risk potential in the portfolio. Further, 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, and reports thereon are submitted to management and to the Credit Review Committee of the Board of Directors. New, expanded, or modified products and services, as well as new lines of business, are approved by a New Product Review Committee at the bank level or Parent level, depending on the inherent risk of the new activity.

Both the credit policy and the credit examination functions are managed centrally. Each affiliate bank is able to modify corporate credit policy to be more conservative; however, corporate approval must be obtained if a bank wishes to create a more liberal policy. Historically, only a limited number of such modifications have been approved. This entire process has been designed to place an emphasis on strong underwriting standards and early detection of potential problem credits so that action plans can be developed and implemented on a timely basis to mitigate any potential losses.

With regard to credit risk associated with counterparties to off-balance sheet credit instruments, Zions Bank and Amegy have International Swap Dealer Association (ISDA) agreements in place under which derivative transactions are entered into with major derivative dealers. Each ISDA agreement details the collateral arrangements between Zions Bank and Amegy and their counterparties. In every case, the amount of the collateral required to secure the exposed party in the derivative transaction is determined by the fair value of the derivative and the credit rating of the party with the obligation. The credit rating used in these situations is provided by either Moody s or Standard & Poor s. This means that, in like transactions, a counterparty with a AAA rating would be obligated to provide less collateral to secure a major credit exposure than one with an A rating. All derivative gains and losses between Zions Bank or Amegy and a single counterparty are netted to determine the net credit exposure and therefore the collateral required. Any derivative transactions for affiliate banks other than Zions Bank or Amegy, as well as certain derivatives transactions entered into by Amegy after its acquisition by the Company, are handled through intercompany ISDA agreements such that the relevant affiliate faces Zions Bank and in turn Zions Bank faces the derivatives dealer.

The Company s credit risk management strategy includes diversification of its loan portfolio. The Company attempts to avoid the risk of an undue concentration of credits in a particular collateral type or with an individual customer or counterparty. During 2009, the Company adopted new concentration limits on various types of commercial real estate lending, particularly construction and land development lending, which have contributed to further reducing the Company s exposure to this type of lending. Subsequently the Company has adopted concentration limits related to other types of lending, for example, leveraged lending, and over time expects to extend this concentration limit framework to most parts of the loan portfolio. The majority of the Company s business activity is with customers located within the geographical footprint of its banking subsidiaries.

The Company s loan portfolio includes loans that were acquired from failed banks: Alliance Bank, Great Basin Bank, and Vineyard Bank. These loans include nonperforming loans and other loans with characteristics indicative of a high credit risk profile. Substantially all of these loans are covered under loss sharing agreements with the FDIC for which the FDIC generally will assume 80% of the first $275 million of credit losses for the Alliance Bank assets, $40 million of credit losses for the Great Basin Bank assets, $465 million of credit losses for the Vineyard Bank assets and 95% of the credit losses in excess of those amounts.

Therefore, the Company s financial exposure to losses from these assets is substantially limited. In addition, the acquired loans have performed better than expected. FDIC-supported loans represented approximately 2.3% of the Company s total loan portfolio at June 30, 2011.

The Company participates in various lending programs where guarantees are supplied by U.S. government agencies, such as the Small Business Administration, Federal Housing Authority, Veterans Administration, and U.S. Department of Agriculture. As of June 30, 2011, the principal balance of such loans was $608 million, and the guaranteed portion amounted to $456 million. Most of these loans were guaranteed by the Small Business Administration. Government agency guaranteed loans, excluding FDIC-supported loans, consisted of the following as of June 30, 2011:

(Amounts in millions)	June 30, 2011	Percent guaranteed
Commercial	$ 584	74%
Commercial real estate	19	77%
Consumer	5	100%
Total excluding FDIC-supported loans	$ 608	75%

The credit quality of the Company s loan portfolio improved further during the second quarter of 2011. Nonperforming lending related assets decreased by 17.3% and 40.6% from December 31, 2010 and June 30, 2010, respectively. Gross charge-offs declined to $310 million in the first six months of 2011 compared to $527 million in the first six months of 2010. Net charge-offs decreased to $253 million from $482 million in the same periods.

A more comprehensive discussion of our credit risk management is contained in the Company s 2010 Annual Report on Form 10-K.

Commercial Lending

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

	June 30, 2011		December 31, 2010	
(Amounts in millions)	Amount	Percent	Amount	Percent
Real estate, rental and leasing	$ 2,720	14.4%	$ 2,488	13.6%
Manufacturing	2,000	10.6%	1,984	10.9%
Retail trade	1,625	8.6%	1,585	8.7%
Wholesale trade	1,498	8.0%	1,500	8.2%
Mining, quarrying, and oil and gas extraction	1,497	7.9%	1,346	7.4%
Healthcare and social assistance	1,262	6.7%	1,264	6.9%
Construction	1,097	5.8%	1,110	6.1%
Professional, scientific, and technical services	958	5.1%	966	5.3%
Transportation and warehousing	944	5.0%	866	4.8%
Finance and insurance	909	4.8%	963	5.3%
Hospitality and food services	824	4.4%	809	4.4%
Other	3,521	18.7%	3,353	18.4%
Total	$ 18,855	100.0%	$ 18,234	100.0%

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Commercial Real Estate Loans

Selected information regarding our commercial real estate (CRE) loan portfolio is presented in the following table:

COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION

(Amounts in millions)		Collateral Location										
Loan Type	**As of Date**	**Arizona**	**Northern California**	**Southern California**	**Nevada**	**Colorado**	**Texas**	**Utah/ Idaho**	**Wash-ington**	**Other [1]**	**Total**	**% of total CRE**
Commercial term												
Balance outstanding	6/30/11	$ 985.8	$ 387.8	$ 1,961.6	$ 705.6	$ 472.2	$ 1,190.1	$ 837.2	$ 252.3	$ 929.2	$ 7,721.8	73.7%
% of loan type		12.8%	5.0%	25.4%	9.1%	6.1%	15.4%	10.9%	3.3%	12.0%	100.0%	
Delinquency rates [2]:												
30-89 days	6/30/11	1.6%	1.0%	1.5%	1.8%	1.1%	2.4%	1.6%		4.5%	1.9%	
	12/31/10	1.6%	1.5%	1.7%	3.7%	8.2%	2.7%	2.1%	0.3%	7.3%	3.1%	
³ 90 days	6/30/11	0.9%	1.0%	0.9%	1.5%	1.0%	0.8%	1.0%		3.9%	1.3%	
	12/31/10	1.1%	1.5%	0.9%	2.8%	1.4%	1.6%	1.8%		3.9%	1.7%	
Accruing loans past due 90 days or more	6/30/11	$	$	$	$	$ 0.8	$	$ 0.2	$	$ 1.5	$ 2.5	
	12/31/10			0.2			4.3			0.3	4.8	
Nonaccrual loans	6/30/11	21.9	6.2	35.8	52.5	16.3	34.2	13.2	0.6	52.4	233.1	
	12/31/10	23.4	6.2	36.3	70.5	19.4	32.8	20.1	1.7	53.9	264.3	
Residential construction and land development												
Balance outstanding	6/30/11	$ 131.8	$ 30.0	$ 98.5	$ 15.5	$ 79.0	$ 350.1	$ 167.3	$ 0.8	$ 54.9	$ 927.9	8.8%
% of loan type		14.2%	3.3%	10.6%	1.7%	8.5%	37.7%	18.0%	0.1%	5.9%	100.0%	
Delinquency rates [2]:												
30-89 days	6/30/11	10.6%	5.5%	2.8%	53.0%	33.8%	15.3%	14.9%	21.3%	2.2%	14.3%	
	12/31/10	9.8%	6.0%	5.3%	55.6%	1.4%	19.9%	13.6%		9.6%	14.3%	
³ 90 days	6/30/11	9.6%	5.5%	2.8%	48.5%	10.6%	14.5%	12.8%		2.2%	11.5%	
	12/31/10	8.6%	6.0%	3.4%	55.6%	0.4%	19.2%	10.0%		5.0%	12.6%	
Accruing loans past due 90 days or more	6/30/11	$ 0.1	$	$	$	$	$	$ 4.6	$	$	$ 4.7	
	12/31/10	0.8					0.1	0.6		0.1	1.6	
Nonaccrual loans	6/30/11	24.1	1.6	4.1	10.1	26.7	68.2	27.5		1.2	163.5	
	12/31/10	29.9	1.8	8.1	30.3	41.4	80.9	39.1		8.3	239.8	
Commercial construction and land development												
Balance outstanding	6/30/11	$ 249.5	$ 23.1	$ 149.2	$ 154.0	$ 198.4	$ 657.2	$ 289.9	$ 32.3	$ 76.1	$ 1,829.7	17.5%
% of loan type		13.6%	1.3%	8.2%	8.4%	10.8%	35.9%	15.8%	1.8%	4.2%	100.0%	
Delinquency rates [2]:												
30-89 days	6/30/11	3.0%		0.8%	8.2%	5.6%	9.3%	1.8%		10.1%	5.8%	
	12/31/10	5.0%		0.5%	23.7%	8.1%	5.7%	6.4%	2.7%	12.4%	7.1%	
³ 90 days	6/30/11	3.0%		0.8%	8.2%	5.5%	7.4%	1.7%		9.3%	5.1%	
	12/31/10	4.2%		0.5%	16.4%	8.1%	4.3%	4.2%		12.4%	5.5%	
Accruing loans past due 90 days or more	6/30/11	$	$	$	$	$	$	$	$	$ 0.1	$ 0.1	
	12/31/10							0.2		0.1	0.3	
Nonaccrual loans	6/30/11	15.0		1.1	39.3	11.7	87.1	25.6		0.5	180.3	
	12/31/10	18.9		2.2	73.9	19.8	91.5	35.7		11.6	253.6	
Total construction and land development	6/30/11	$ 381.3	$ 53.1	$ 247.7	$ 169.5	$ 277.4	$ 1,007.3	$ 457.2	$ 33.1	$ 131.0	$ 2,757.6	
Total commercial real estate	6/30/11	$ 1,367.1	$ 440.9	$ 2,209.3	$ 875.1	$ 749.6	$ 2,197.4	$ 1,294.4	$ 285.4	$ 1,060.2	$ 10,479.4	100.0%

[1] *No other geography exceeds $135 million for all three loan types.*
[2] *Delinquency rates include nonaccrual loans.*

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Approximately 35% of the commercial real estate term loans consist of mini-perm loans as of June 30, 2011. 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 3 to 7 years. The remaining 65% of commercial real estate loans are term loans with initial maturities generally of 15 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and includes, for example, criteria related to the cash flow generated by the project and occupancy rates.

Approximately 32% of the commercial construction and land development portfolio s June 30, 2011 balance consists of acquisition and development loans. Most of these acquisition and development properties are tied to 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 of the sponsor. We generally require that the owner s equity be injected prior to bank advances. Remargining requirements are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected economics of the project are primary 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 multi-family 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.

Although lending for residential construction and development deals with a different product type, many of the requirements previously mentioned, such as credit worthiness of the developer, up-front injection of the developer s equity, re-margining requirements, and the viability of the project are also important in underwriting a residential development loan. Heavy consideration is given to 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. Loan agreements generally include limitations on the number of model homes and homes built on a spec basis, with preference given to pre-sold homes.

Real estate appraisals are ordered and validated independently of the credit officer and the borrower, generally by each bank s appraisal review function, which is staffed by certified appraisers. Appraisals are ordered from outside appraisers at the inception, renewal, or for CRE loans, upon the occurrence of any event causing a downgrade to a criticized or classified designation. The frequency for obtaining updated appraisals for these adversely graded credits is increased when declining market conditions exist. Advance rates, on an as completed basis, will vary based on the viability of the project and the creditworthiness of the sponsor, but corporate 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 spec homes, 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 these schedules is closely monitored and calculations are made to determine adherence to the covenants set forth in the loan agreement. Additionally, the frequency of loan-by-loan reviews of pass grade loans has been increased to quarterly for all commercial and residential construction and land development loans at Zions Bank, Amegy, NBA, NSB, and Vectra. At CB&T such reviews are performed semi-annually.

Interest reserves are generally established as an expense item in the budget for real estate construction or development loans. We generally require borrowers to put their equity into the project at the inception of the construction. This enables the bank to ensure the availability of equity in the project. The Company s

practice is to monitor the construction, sales and/or leasing progress to determine whether or not the project remains viable. If at any time during the life of the credit the project is determined not to be viable, the bank takes appropriate action to protect its collateral position via negotiation and/or legal action as deemed necessary. The bank then usually evaluates the appropriate use of interest reserves. At June 30, 2011, and June 30, 2010, Zions affiliates had 349 and 373 loans with an outstanding balance of $377 million, and $693 million for which available interest reserves amounted to $32 million and $73 million, respectively. In instances where projects have been determined not to be viable, the interest reserves and other appropriate disbursements have been frozen.

We have not been involved to any meaningful extent with insurance arrangements, credit derivatives, or any other default agreements as a mitigation strategy for commercial real estate loans. However, we do make use of personal or other guarantees as risk mitigation strategies.

Commercial real estate loans are sometimes modified to increase the likelihood of collecting as much as possible of the Company s 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 most likely indicates that the appropriate 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 a concession has been granted. 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 (including a premium for risk) for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may be indicative of a concession having been granted. 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. 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 on 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 analysis 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. All personal financial statements of customers entering into new relationships with the applicable bank must not be more than 60 days old on the date the transaction is approved. Personal financial statements that are required for existing customers must be no more than 13 months old. Evaluations of the financial strength of the guarantor are performed at least annually.

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, and consideration of market information sources, rating and scoring services. This qualitative analysis has less of a positive impact on the allowance and charge-off considerations as does a documented quantitative ability to support the loan. A previously documented financial ability to support the loan is discounted if there is any indication of a lack of willingness to support the loan under a guarantee at any point.

In the event of default, we pursue 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.

Consumer Loans

The Company did not pursue subprime residential mortgage lending including option ARM and negative amortization loans. It does have approximately $372 million of stated income mortgage loans with generally high FICO scores at origination, including one-time close loans to finance the construction of a home, which convert into permanent jumbo mortgages. As of June 30, 2011, approximately $46 million of the $372 million of stated income loans had FICO scores of less than 620. These totals exclude held-for-sale loans. Stated income loans account for approximately $8 million, or 49%, of our credit losses in 1-4 family residential first mortgage loans during the first half of 2011, and were primarily in Utah and Arizona.

The Company has mainly been an originator of first and second mortgages, generally considered to be of prime quality. Its practice historically has been to sell conforming fixed rate loans to third parties, including Fannie Mae and Freddie Mac, for which it makes representations and warranties as to meeting certain underwriting and collateral documentation standards. It has also been the Company s practice historically to hold variable rate loans in its portfolio. The Company does not estimate that it has any material financial risk as a result of its foreclosure practices or loan put-backs by Fannie Mae or Freddie Mac, and has not established any reserves related to these items.

The Company is engaged in home equity credit line lending. Approximately $972 million of the Company s $2.1 billion portfolio is secured by first deeds of trust, while the remaining balance is secured by junior liens. As of June 30, 2011, loans representing approximately 17% of the outstanding balance in this portfolio were estimated to have loan-to-value ratios above 100%. Of the total home equity credit line portfolio, 0.34% was 90 or more days past due at June 30, 2011 as compared to 0.30% as of June 30, 2010. During the first half of 2011, the Company did not modify any home equity credit lines. The annualized credit losses for this portfolio were 114 and 129 basis points for the six months ended June 30, 2011 and June 30, 2010, respectively.

Nonperforming Assets

As reflected in the following table, the Company s nonperforming lending-related assets as a percentage of net loans and leases and OREO decreased during the second quarter of 2011. The percentage was 4.06% at June 30, 2011, compared with 4.91% at December 31, 2010 and 6.60% at June 30, 2010.

Total nonaccrual loans, excluding FDIC-supported loans, at June 30, 2011 decreased by $250 million from December 30, 2010. The decrease is primarily due to a $150 million decrease in construction and land development loans, a $38 million decrease in commercial and industrial loans, and a $31 million decrease in commercial real estate term loans. The greatest decreases in nonaccrual loans occurred at Zions Bank, NSB, and CB&T.

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The following table sets forth the Company s nonperforming lending-related assets:

(Amounts in millions)

	June 30, 2011	December 31, 2010	June 30 2010
Nonaccrual loans	$ 1,243	$ 1,493	$ 1,962
Other real estate owned	195	259	365
Nonperforming lending-related assets, excluding FDIC-supported assets	1,438	1,752	2,327
FDIC-supported nonaccrual loans	31	36	172
FDIC-supported other real estate owned	44	40	48
FDIC-supported nonperforming lending-related assets	75	76	220
Total nonperforming lending-related assets	$ 1,513	$ 1,828	$ 2,547
Ratio of nonperforming lending-related assets to net loans and leases [1] and other real estate owned	4.06%	4.91%	6.60%
Accruing loans past due 90 days or more, excluding FDIC-supported loans	$ 19	$ 23	$ 132
FDIC-supported loans past due 90 days or more	90	119	5
Ratio of accruing loans past due 90 days or more to net loans and leases [1]	0.29%	0.38%	0.36%
Nonaccrual loans and accruing loans past due 90 days or more	$ 1,382	$ 1,671	$ 2,271
Ratio of nonaccrual loans and accruing loans past due 90 days or more to net loans and leases [1]	3.74%	4.52%	5.95%
Accruing loans past due 30 89 days, excluding FDIC-supported loans	$ 171	$ 263	$ 318
FDIC-supported loans past due 30 89 days	21	27	27
Restructured loans included in nonaccrual loans	324	367	339
Restructured loans on accrual	394	388	288
Classified loans, excluding FDIC-supported loans	2,676	3,408	4,878

[1] *Includes loans held for sale.*

TDR Loans

Nonaccrual loans also include nonperforming loans that have been restructured and classified as troubled debt restructured loans.

TDRs are loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider. These modifications are structured on a loan-by-loan basis, and depending on the circumstances, may include extended payment terms, a modified interest rate, forgiveness of principal (on occasion), or other concessions. However, not all modifications are TDRs; modifications are also performed in the normal course of business for borrowers that are not experiencing financial difficulty. Such modifications may be performed to meet the customer s specific needs, to comply with contractual commitments, or for competitive reasons.

We consider many factors in determining whether to agree to a loan modification involving concessions, and seek a solution that will both minimize potential loss to the Company and attempt to help the borrower. We evaluate the borrower s current and forecasted future cash flows, their ability and willingness to make current contractual or proposed modified payments, the value of the underlying collateral (if applicable), the

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possibility of obtaining additional security or guarantees, and the potential costs related to a repossession or foreclosure and the subsequent sale of the collateral.

TDRs are classified as either accrual or nonaccrual loans. If a nonaccrual loan is restructured as a TDR, it will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months, and there is evidence that such payments can and are likely to continue as agreed. Most often, loans are classified as nonaccrual according to our nonaccrual policy when restructured as a TDR.

The following schedule provides the outstanding balances of our TDR loans:

	June 30, 2011			December 31, 2010		
(in thousands)	**Accruing**	**Nonaccruing**	**Total**	**Accruing**	**Nonaccruing**	**Total**
Commercial:						
Commercial and industrial	$ 33,485	$ 22,668	$ 56,153	$ 35,290	$ 29,382	$ 64,672
Leasing		899	899	446	202	648
Owner occupied	32,850	51,530	84,380	42,143	51,676	93,819
Municipal						
Total commercial	66,335	75,097	141,432	77,879	81,260	159,139
Commercial real estate:						
Construction and land development	136,483	141,275	277,758	124,571	177,617	302,188
Term	159,521	77,028	236,549	152,523	77,382	229,905
Total commercial real estate	296,004	218,303	514,307	277,094	254,999	532,093
Consumer:						
Home equity credit line	36	77	113	110	512	622
1-4 family residential	30,602	25,828	56,430	29,947	24,520	54,467
Construction and other consumer real estate	625	4,772	5,397	2,845	5,311	8,156
Bankcard and other revolving plans						
Other				131	533	664
Total consumer loans	31,263	30,677	61,940	33,033	30,876	63,909
Total	$ 393,602	$ 324,077	$ 717,679	$ 388,006	$ 367,135	$ 755,141

Commercial loan TDRs

Commercial loans (commercial lending (C&I) and commercial real estate (CRE)) 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. When it is in the best interest of the Company and the borrower to agree to a concession, we may modify the loan rather than try to pursue collection through foreclosure or other means. Refer also to the commercial real estate loans section discussed above.

For certain troubled debt restructurings, we split the loan into two new notes A and B notes. 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 interest and principal payments. The B note includes the granting of the concession to the borrower and varies by situation. We may defer principal and interest payments until the A note has been paid in full. The B note is charged-off but the obligation is not forgiven to the borrower, and any payments collected are accounted for as recoveries.

At the time of restructuring, the A note is identified and classified as a TDR. If the loan performs for at least six months according to the modified terms, the A note may be returned to accrual status. The borrower s payment performance prior to and following the restructuring is taken into account in determining whether or not a note should be returned to accrual status. 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 approves the upgrading of a loan s classification. Refer also to the Modified and Restructured Loans section found in Note 5 of the Notes to Consolidated Financial Statements.

At June 30, 2011, the amount of loans restructured using the A/B note restructure workout strategy was $187 million.

Consumer loan TDRs

Consumer loan TDRs represent loan modifications in which a concession has been granted to the borrower who is unable to refinance the loan with a new loan from another lender, or who is experiencing economic hardship. Such TDRs may include first-lien residential mortgage loans and home equity loans.

Other Nonperforming Assets

In addition to the lending related nonperforming assets, the Company had $214 million in carrying value of investments in debt securities that were on nonaccrual status at June 30, 2011, compared to $195 million at December 31, 2010 and $200 million at June 30, 2010.

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, the Company s loan and lease portfolio is broken into segments based on loan type.

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

(Amounts in millions)	**Six Months Ended June 30, 2011**	**Twelve Months Ended December 31, 2010**	**Six Months Ended June 30, 2010**
Loans and leases outstanding (net of unearned income)	$ 36,824	$ 36,747	$ 38,003
Average loans and leases outstanding (net of unearned income)	$ 36,754	$ 38,250	$ 39,137
Allowance for loan losses:			
Balance at beginning of period	$ 1,440	$ 1,531	$ 1,531
Provision charged against earnings	61	852	494
Increase (decrease) in allowance covered by FDIC indemnification	(10)	26	21
Loans and leases charged-off:			
Commercial	(118)	(417)	(192)
Commercial real estate	(141)	(517)	(266)
Consumer	(51)	(140)	(69)
Total	(310)	(1,074)	(527)
Recoveries:			
Commercial	28	35	18
Commercial real estate	16	44	19
Consumer	7	12	5
Total	51	91	42
Charge-offs recoverable from FDIC	6	14	3
Net loan and lease charge-offs	(253)	(969)	(482)
Balance at end of period	$ 1,238	$ 1,440	$ 1,564
Ratio of annualized net charge-offs to average loans and leases	1.38%	2.53%	2.46%
Ratio of allowance for loan losses to net loans and leases, at period end	3.36%	3.92%	4.12%
Ratio of allowance for loan losses to nonperforming loans, at period end	97.17%	94.22%	73.28%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, at period end	89.53%	86.21%	68.85%

The allowance for loan losses declined during the first six months of 2011 due to the improved credit quality metrics observed across the loan portfolio.

The reserve for unfunded lending commitments represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in the Company s consolidated balance sheet, and any related increases or decreases in the reserve are included in noninterest expense in the statement of income. The reserve balance decreased by $11 million from December 31, 2010, and is primarily due to improvements in the credit quality of lending commitments. See Note 5 of the Notes to Consolidated Financial Statements for additional information related to the allowance for credit losses.

Interest Rate and Market Risk Management

Interest rate and market risk are managed centrally. Interest rate risk is the potential for reduced income resulting from adverse changes in the level of interest rates on the Company s net interest income. Market

risk is the potential for loss arising from adverse changes in the fair value of fixed income securities, equity securities, other earning assets and derivative financial instruments as a result of changes in interest rates or other factors. As a financial institution that engages in transactions involving an array of financial products, the Company is exposed to both interest rate risk and market risk.

The Company s Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Company. The Boards of Directors of the Company s subsidiary banks are also required to review and approve these policies. In addition, the Board establishes and periodically revises policy limits, and reviews limit exceptions reported by management. The Board has established the management Asset/Liability Committee (ALCO) to which it has delegated the functional management of interest rate and market risk for the Company.

Interest Rate Risk

Interest rate risk is one of the most significant risks to which the Company is regularly exposed. In general, our goal in managing interest rate risk is to have the net interest margin increase slightly in a rising interest rate environment. We refer to this goal as being slightly 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. The Company has positioned its June 30, 2011 balance sheet to be more asset sensitive than it was on December 31, 2010.

We attempt to minimize the impact of changing interest rates on net interest income primarily through the use of interest rate floors on variable rate loans, interest rate swaps, interest rate futures, and by avoiding large exposures to long-term fixed rate interest-earning assets that have significant negative convexity. The prime lending rate and the LIBOR curves are the primary indices used for pricing the Company s loans. The interest rates paid on deposit accounts are set by individual banks so as to be competitive in each local market.

We monitor interest rate risk through the use of two complementary measurement methods: duration of equity and income simulation. In the duration of equity method, we measure the expected changes in the fair values of equity in response to changes in interest rates. In the income simulation method, we analyze the expected changes in income in response to changes in interest rates.

Duration of equity is derived by first calculating the dollar duration of all assets, liabilities and derivative instruments. Dollar duration is determined by calculating the fair value of each instrument assuming interest rates sustain immediate and parallel movements up 1% and down 1%. The average of these two changes in fair value is the dollar duration. Subtracting the dollar duration of liabilities from the dollar duration of assets and adding the net dollar duration of derivative instruments results in the dollar duration of equity. Duration of equity is computed by dividing the dollar duration of equity by the fair value of equity. The Company s policy is generally to maintain duration of equity between -3 years to +7 years. However, in the current low interest rate environment, the Company is operating with a duration of equity of less than -3 years in some planning scenarios.

Income simulation is an estimate of the net interest income and total rate sensitive income that would be recognized under different rate environments. Net interest income and total rate sensitive income are measured under several parallel and nonparallel interest rate environments and deposit repricing assumptions, taking into account an estimate of the possible exercise of options within the portfolio. For income simulation, Company policy requires that interest sensitive income from a static balance sheet be limited to a decline of no more than 10% during one year if rates were to immediately rise or fall in parallel by 200 basis points.

Both of these measurement methods require that we assess a number of variables and make various assumptions in managing the Company s exposure to changes in interest rates. The assessments address loan and security prepayments, early deposit withdrawals, and other embedded options and noncontrollable events. As a result of uncertainty about the maturity and repricing characteristics of both deposits and loans, the Company estimates ranges of duration and income simulation under a variety of assumptions and scenarios. The Company s interest rate risk position changes as the interest rate environment changes and is managed actively to try to maintain a slightly asset-sensitive position. However, positions at the end of any period may not be reflective of the Company s position in any subsequent period.

We should note that estimated duration of equity and the income simulation 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. Given the uncertainty of these estimates, we view both the duration of equity and the income simulation results as falling within a wide range of possibilities.

As of the dates indicated, the following table shows the Company s estimated range of duration of equity and percentage change in interest sensitive income, based on a static balance sheet, in the first year after the rate change if interest rates were to sustain an immediate parallel change of 200 basis points; the fast and slow results differ based on the assumed speed of repricing of administered-rate deposits (money market, interest-on-checking, and savings).

	June 30, 2011		December 31, 2010	
	Low	**High**	**Low**	**High**
Duration of equity:				
Range (in years)				
Base case	-3.0	-1.0	-3.1	-1.2
Increase interest rates by 200 bp	-2.7	-1.4	-3.0	-1.4
	Deposit repricing response			
	Fast	**Slow**	**Fast**	**Slow**
Income simulation change in interest sensitive income:				
Increase interest rates by 200 bp	4.7%	7.7%	3.1%	6.0%
Decrease interest rates by 200 bp[1]	-3.4%	-3.6%	-2.5%	-2.7%

[1] *In the event that a 200 basis point rate parallel decrease cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero.*

During the first six months of 2011, there were no significant changes in the duration of equity. The changes in the income simulation sensitivity can be attributed to the increase of noninterest-bearing deposits as a percentage of total deposits from 33.4% at December 31, 2010 to 35.1% at June 30, 2011.

Market Risk Fixed Income

The Company engages in the underwriting and trading of U.S. agency, municipal and corporate securities. This trading activity exposes the Company to a risk of loss arising from adverse changes in the prices of these fixed income securities.

At June 30, 2011, the Company had $51 million of trading assets and $43 million of securities sold, not yet purchased, compared with $49 million and $43 million at December 31, 2010, and $86 million and $82 million at June 30, 2010, respectively.

The Company is exposed to market risk through changes in fair value and OTTI of HTM and AFS securities. The Company also is exposed to market risk for interest rate swaps and Eurodollar and Federal Funds futures contracts 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 OCI each quarter. During the second quarter of 2011, the after-tax change in OCI attributable to AFS securities was $0.3 million, and the change attributable to interest rate swaps was $(5.0) million. If any of the AFS or HTM securities become other than temporarily impaired, any credit impairment is charged to operations. See Investment Securities Portfolio for additional information on OTTI.

Market Risk Equity Investments

Through its equity investment activities, the Company owns equity securities that are publicly traded. In addition, the Company owns equity securities in companies that are not publicly traded, that are accounted for under cost, fair value, equity, or full consolidation methods of accounting, depending upon the Company s ownership position and degree of involvement in influencing the investees affairs. In either case, the value of the Company s investment is subject to fluctuation. Since the fair value of these securities may fall below the Company s investment costs, the Company is exposed to the possibility of loss. These equity investments are approved, monitored and evaluated by the Company s Equity Investment Committee.

The Company holds investments in pre-public companies through various venture capital funds. Additionally, Amegy has in place an alternative investments program. 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 generally are not part of the strategy since the underlying companies are typically not creditworthy.

Under provisions of the Dodd-Frank Act, the Company is allowed to fund remaining unfunded portions of existing private equity fund commitments, such as those described above, but is not allowed to make any new commitments to invest in private equity funds.

A more comprehensive discussion of the Company s interest rate and market risk management is contained in the Company s 2010 Annual Report on Form 10-K.

Liquidity Risk Management

Liquidity risk is the possibility that the Company s cash flows may not be adequate to fund its ongoing operations and meet its 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 the Company s liquidity to provide adequate funds to meet its anticipated financial and contractual obligations, including withdrawals by depositors, debt service requirements and lease obligations, as well as to fund customers needs for credit. The management of liquidity and funding is performed centrally for both the Parent and its subsidiary banks.

Consolidated cash and interest-bearing deposits held by the Parent and its subsidiaries increased to $6.0 billion at June 30, 2011 from $5.6 billion at March 31, 2011 and $5.5 billion at December 31, 2010. The Parent and its subsidiaries also held $706 million, $726 million, and $706 million of U.S. Treasury Securities at June 30, 2011, March 31, 2011, and December 31, 2010, respectively.

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, including the CPP preferred equity issued to the U.S. Department of the Treasury under the TARP program. The Parent s cash needs are usually met through dividends from its subsidiaries, interest and investment income, subsidiaries proportionate share of current income taxes, equity contributed through the exercise of stock options, and long-term debt and equity issuances.

The Parent has not had to increase its investment in any of its subsidiary banks since the first quarter of 2010, and does not anticipate any need to make further capital investments in its bank subsidiaries in the second half of 2011. However, consistent with prior quarters since the second quarter of 2009, the Parent did not receive dividends on common or preferred stock from its banking subsidiaries during the first six months of 2011. The dividends banking subsidiaries can pay to the Parent are restricted by current and historical earnings levels, retained earnings, and risk-based and other regulatory capital requirements. Several of the Company s subsidiary banks returned to profitability over the course of 2010, and during the first six months of 2011 all of the Company s bank subsidiaries recorded a profit. This return to profitability, which we currently expect will be sustained, may permit the payment of some dividends by the banks to the Parent, and/or a return of some capital to the Parent in the second half of 2011.

Federal Reserve Board Supervisory Letter SR 09-4, dated February 24, 2009 (as revised March 27, 2009), reiterates and expands previous guidance to bank holding companies regarding the payment of common dividends, preferred dividends, and dividends on more senior capital instruments in times of stress on earnings and capital ratios. On November 17, 2010 the Federal Reserve Board issued a revised temporary addendum to this letter stating that bank holding companies should consult with the Federal Reserve staff before taking any capital actions, including actions that could result in a diminished capital base, such as increasing dividends, implementing common stock repurchase programs, or redeeming or repurchasing capital instruments. The Company has held the dividend on its common stock to $0.01 per share per quarter in order to conserve both capital and cash at the Parent.

General financial market and economic conditions have adversely impacted the Company s access to and cost of external financing. However, these adverse impacts have begun to moderate in recent quarters. Access to funding markets for the Parent and subsidiary banks is directly impacted by the credit ratings they receive 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 six months of 2011. One rating agency, Moody s, rates the Company s senior debt as B2 or noninvestment grade, while Standard & Poor s, Fitch and DBRS all rate the Company s senior debt at a low investment grade level. In addition, all four rating agencies rate the Company s subordinated debt as noninvestment grade. Moody s and Fitch s outlooks for the Company are positive and stable, respectively, while the other two agencies have a negative outlook for the Company.

During the first six months of 2011, the primary sources of additional cash to the Parent in the capital markets were (1) $30 million from the issuance of 5-year unsecured senior notes, (2) $67 million from the issuance of 1-year unsecured senior notes, and (3) $25 million from the issuance of new shares of common stock. The Parent had a cash balance of $450 million at June 30, 2011 compared to a cash balance of $509 million at March 31, 2011. In addition, the Parent had $700 million of U.S. Treasury Bills at both June 30, 2011 and March 31, 2011.

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The following table presents the Parent s balance sheet at June 30, 2011, December 31, 2010, and June 30, 2010:

Parent Only Condensed Balance Sheets

(In thousands)	June 30, 2011	December 31, 2010	June 30, 2010
ASSETS			
Cash and due from banks	$ 2,954	$ 1,848	$ 2,004
Interest-bearing deposits	446,916	547,665	1,113,730
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value of $13,146, $4,056 and $3,657)	15,124	3,593	3,657
Available-for-sale, at fair value	1,123,102	1,146,797	502,360
Loans, net of unearned fees of $0, $0 and $0 and allowance for loan losses of $28, $71 and $71)	1,500	2,852	2,852
Other noninterest-bearing investments	50,110	55,560	59,757
Investments in subsidiaries:			
Commercial banks and bank holding company	6,982,273	6,739,699	6,700,509
Other operating companies	56,421	70,272	60,170
Nonoperating ZMFU II, Inc.[1]	93,125	93,003	92,467
Receivables from subsidiaries:			
Other	615	1,150	1,400
Other assets	313,159	253,773	58,566
	$ 9,085,299	$ 8,916,212	$ 8,597,472
LIABILITIES AND SHAREHOLDERS EQUITY			
Other liabilities	$ 155,884	$ 182,094	$ 219,179
Commercial paper:			
Due to affiliates	45,993	45,991	49,985
Due to others	14,256	2,647	1,149
Other short-term borrowings:			
Due to affiliates	107,662	72,204	
Due to others	130,404	160,604	214,377
Subordinated debt to affiliated trusts	309,278	309,278	309,278
Long-term debt:			
Due to affiliates	85,070	110,208	
Due to others	1,322,159	1,384,907	1,381,662
Total liabilities	2,170,706	2,267,933	2,175,630
Shareholders equity:			
Preferred stock	2,329,370	2,056,672	1,806,877
Common stock	4,158,369	4,163,619	3,964,140
Retained earnings	931,345	889,284	1,083,845
Accumulated other comprehensive income (loss)	(504,491)	(461,296)	(433,020)
Total shareholders equity	6,914,593	6,648,279	6,421,842
	$ 9,085,299	$ 8,916,212	$ 8,597,472

[1] *ZMFU II, Inc. is a wholly-owned nonoperating subsidiary whose sole purpose is to hold a portfolio of municipal bonds, loans and leases.*
Interest-bearing deposits at June 30, 2011 include $216 million pledged to certain subsidiary banks for intercompany borrowings.

During the first six months of 2011 and 2010, the Parent s operating expenses included cash payments for interest of approximately $67 million and $75 million, respectively. Additionally, the Parent paid

approximately $75 million and $45 million of dividends on preferred and common stock, respectively, for the same applicable periods.

Repayments of short-term borrowings by the Parent exceeded borrowings, which resulted net cash outflows of $19 million during the first six months of 2011.

At June 30, 2011, maturities of the Company s long-term senior and subordinated debt ranged from August 2011 to May 2016.

Subsidiary Bank Liquidity: The subsidiary banks primary source of funding is their core deposits, consisting of demand, savings and money market deposits, time deposits under $100,000, and foreign deposits. At June 30, 2011, these core deposits, excluding brokered deposits, in aggregate, constituted 94.4% of consolidated deposits, compared with 94.2% of consolidated deposits at March 31, 2011 and 93.1% at June 30, 2010. On a consolidated basis, the Company s net loan to total deposit ratio as of June 30, 2011 is historically low at 89.4%, another measure of strong bank liquidity.

Noninterest-bearing deposits increased during the second quarter of 2011 by $685 million. This increase was the main driver of the total deposit increase of $599 million during the quarter. For the first six months of 2011, noninterest-bearing deposits increased by $821 million while total deposits increased by only $256 million. Although the increase in noninterest-bearing deposits generated unnecessary funding, it was created through long-term core relationship accounts that we want to maintain. Brokered deposits were only 0.8% of total deposits at June 30, 2011.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act made permanent the maximum deposit insurance amount of $250,000. On November 9, 2010 the FDIC issued a final rule providing temporary unlimited insurance coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions, effective December 31, 2010 through December 31, 2012.

The FHLB system has, from time to time, been a significant source of liquidity for each of the Company s subsidiary banks. Zions Bank and TCBW are members of the FHLB of Seattle. CB&T, NSB, and NBA 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 requirements. At June 30, 2011, the amount available for additional FHLB and Federal Reserve borrowings was approximately $13.6 billion. At both June 30, 2011 and March 31, 2011 the Company had approximately $20 million of long-term borrowings outstanding with the FHLB.

While not considered a primary source of funding, the Company s investment activities can provide or use cash, depending on the asset-liability management posture that is being taken. For the first six months of 2011, investment securities activities resulted in a decrease in investment securities holdings and a net increase of cash in the amount of $76 million.

Maturing balances in our subsidiary banks loan portfolios also provide additional flexibility in managing cash flows. During the first six months of 2011, organic loan activity resulted in a net cash outflow of $537 million, as a result of an increase in loan demand during the economic recovery.

During the first six months of 2011 the Company paid a net $0.4 million of income taxes, whereas the Company received net cash income tax refunds of $325 million during the first six months of 2010. The majority of the income tax refunds were for the benefit of our subsidiary banks and the remainder for the benefit of the Parent.

A more comprehensive discussion of our liquidity management is contained in Zions 2010 Annual Report on Form 10-K.

Operational Risk Management

Operational risk is the potential for unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures. In its ongoing efforts to identify and manage operational risk, the Company has a Corporate Risk Management Department whose responsibility is to help management identify and assess key risks and monitor the key internal controls and processes that the Company has in place to mitigate operational risk. We have documented controls and the Control Self Assessment related to financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the Federal Deposit Insurance Corporation Improvement Act of 1991.

To manage and minimize its operating risk, the Company has in place transactional documentation requirements, systems and procedures to monitor transactions and positions, regulatory compliance reviews, and periodic reviews by the Company s internal audit and credit examination departments. In addition, reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. Further, we maintain contingency plans and systems for operations support in the event of natural or other disasters. Efforts are continually underway to improve the Company s oversight of operational risk, including enhancement of risk-control self assessments and of antifraud measures reporting to the Enterprise Risk Management Committee and the Board. We also mitigate operational risk through the purchase of insurance, including errors and omissions and professional liability insurance.

CAPITAL MANAGEMENT

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

Note 7 of the Notes to Consolidated Financial Statements discuss the Company s debt and equity transactions during the first six months of 2011.

Total controlling interest shareholders equity at June 30, 2011 was $6,914.6 million compared to $6,648.3 million at December 31, 2010, and $6,421.8 million at June 30, 2010. The increase in total controlling interest shareholders equity from December 31, 2010 is primarily due to $224.3 million of subordinated debt converting into preferred stock, $125.7 million of net income applicable to controlling interest, and $25.0 million from the issuance of common stock partially offset by $40.6 million of unrealized losses on investment securities and derivative instruments recorded in other comprehensive income and $74.9 million of dividends paid on preferred and common stock.

The net change in unrealized losses on securities and derivatives recognized in other comprehensive income decreased in the second quarter of 2011 to $4.7 million compared to $35.8 million during the first quarter of 2011. The losses included incorporating additional trading prices into our valuation models for our bank and insurance trust preferred CDO securities. These observed trading prices resulted in net increases in fair value of the senior tranches of these securities, but net decreases in fair value of the junior tranches, compared to the prior quarter.

Conversions of convertible subordinated debt into preferred stock have augmented the Company s capital position and reduced future refinancing needs. From the original modification in June 2009 through June 30, 2011, $631 million of debt has been extinguished and $736 million of preferred capital has been added. The following schedule shows the effect the conversions had on Tier 1 capital and outstanding convertible subordinated debt during 2010 and during the first six months of 2011:

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(In millions)	Three Months Ended					
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Preferred equity						
Convertible subordinated debt converted to preferred stock	$ 138,469	$ 85,849	$ 151,034	$ 54,259	$ 116,624	$ 21,034
Beneficial conversion feature reclassified from common to preferred stock	23,139	14,605	24,991	9,231	19,034	3,578
Change in preferred equity	161,608	100,454	176,025	63,490	135,658	24,612
Common equity						
Accelerated convertible subordinated debt amortization, net of tax	(50,037)	(33,322)	(59,887)	(22,322)	(58,662)	(6,905)
Beneficial conversion feature reclassified from common to preferred stock	(23,139)	(14,605)	(24,991)	(9,231)	(19,034)	(3,578)
Change in common equity	(73,176)	(47,927)	(84,878)	(31,553)	(77,696)	(10,483)
Net impact on Tier 1 capital	$ 88,432	$ 52,527	$ 91,147	$ 31,937	$ 57,962	$ 14,129
Convertible subordinated debt outstanding	$ 579,156	$ 717,625	$ 803,474	$ 954,509	$ 1,008,768	$ 1,125,392

The Company paid $3.7 million in dividends on common stock during the first six months of 2011. The dividends paid per share of $0.01 in both the first and second quarters of 2011 is unchanged from the rate paid since the third quarter of 2009. Under the terms of the CPP, the Company may not increase the dividend on its common stock above $0.32 per share per quarter during the period the senior preferred shares are outstanding without adversely impacting the Company s interest in the program or without permission from the U.S. Department of the Treasury. The Company does not expect to increase its common dividend until all of its TARP CPP preferred stock has been repaid.

The Company recorded preferred stock dividends of $81.9 million and $51.7 million during the first six months of 2011 and 2010, respectively. Preferred dividends for the first six months of 2011 and 2010 include $45.6 million and $44.9 million, respectively, related to the TARP preferred stock issued to the U.S. Department of the Treasury, consisting of cash payments of $35.0 million in both the first six months of 2011 and 2010 and accretion of $10.6 million and $9.9 million in the first six months of 2011 and 2010, respectively, for the difference between the fair value and par amount of the TARP preferred stock when issued.

Banking organizations are required under published regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. As of June 30, 2011, the Company s capital ratios were as follows:

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CAPITAL RATIOS

	June 30, 2011	December 31, 2010	June 30, 2010
Tangible common equity ratio	6.95%	6.99%	6.86%
Tangible equity ratio	11.58%	11.10%	10.40%
Average equity to average assets (three months ended)	13.42%	12.80%	11.59%
Risk-based capital ratios:			
Tier 1 common to risk-weighted assets	9.36%	8.95%	7.91%
Tier 1 leverage	13.44%	12.56%	11.80%
Tier 1 risk-based capital	15.87%	14.78%	12.63%
Total risk-based capital	18.01%	17.15%	15.25%

The Company expects that it (and the banking industry as a whole) will be required by market forces and/or regulation, including new standards (Basel III) promulgated in December 2010 and revised in June 2011 by the Basel Committee on Banking Supervision, to operate with higher capital ratios than in the past. In addition, the CPP capital preferred dividend is scheduled to increase from 5% to 9% in the fourth quarter of 2013, making it more expensive as a source of capital if not redeemed at or prior to that time. Thus, in addition to maintaining higher levels of capital, the Company s capital structure may continue to be subject to greater variation over the next few years than has been true historically, due to the still highly uncertain economic and regulatory environments. Therefore, during the first six months of 2011 we have continued our efforts to preserve and augment capital in response to these uncertainties and in preparation for the eventual repayment of TARP CPP preferred stock rather than making capital investments to expand the business, or return capital to shareholders in the form of higher dividends or share repurchases.

At June 30, 2011, regulatory Tier 1 risk-based capital and total risk-based capital were $6,773 million and $7,687 million compared to $6,350 million and $7,364 million at December 31, 2010, and $6,024 million and $7,271 million at June 30, 2010, respectively.

GAAP to NON-GAAP RECONCILIATIONS

1. Tier 1 common equity

Traditionally, the Federal Reserve and other banking regulators have assessed a bank s capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. Regulators have begun supplementing their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. The Tier 1 common equity ratio is the core capital component of the Basel III standards, and we believe that it increasingly is becoming a key ratio considered by regulators, investors and analysts. There is a difference between this ratio calculated using Basel I definitions of Tier 1 common equity capital and those definitions using Basel III rules when fully phased in (which have not yet been formalized in regulation). The Tier 1 common risk-based capital ratios in the Capital Ratios table above use the current Basel I definitions for determining the numerator. Because Tier 1 common equity is not formally defined by generally accepted accounting principles (GAAP) or codified in the federal banking regulations, this measure is considered to be a non-GAAP financial measure and other entities may calculate them differently than the Company s disclosed calculations. Since banking regulators, investors and analysts may assess the Company s capital adequacy using Tier 1 common equity, we believe that it is useful to provide them the ability to assess the Company s capital adequacy on this same basis.

Tier 1 common equity is often expressed as a percentage of risk-weighted assets. Under the current risk-based capital framework, a bank s balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad Basel I risk categories for banks, like our banking subsidiaries, that have not adopted the Basel II Advanced Measurement Approach. The aggregated dollar amount in each category is then multiplied by the risk weighting assigned to that category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that, as adjusted, comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at Tier 1 common equity. Tier 1 common equity is also divided by the risk-weighted assets to determine the Tier 1 common equity ratio. The amounts disclosed as risk-weighted assets are calculated consistent with banking regulatory requirements.

The schedule below provides a reconciliation of controlling interest shareholders equity (GAAP) to Tier 1 capital (regulatory) and to Tier 1 common equity (non-GAAP) using current U.S. regulatory treatment and not proposed Basel III calculations:

TIER 1 COMMON EQUITY (NON-GAAP)

(Amounts in millions)

	June 30, 2011	**December 31, 2010**	**June 30, 2010**
Controlling interest shareholders equity (GAAP)	$ 6,915	$ 6,648	$ 6,422
Accumulated other comprehensive loss	504	461	433
Nonqualifying goodwill and intangibles	(1,093)	(1,103)	(1,116)
Disallowed deferred tax assets		(106)	(163)
Other regulatory adjustments	(1)	2	
Qualifying trust preferred securities	448	448	448
Tier 1 capital (regulatory)	6,773	6,350	6,024
Qualifying trust preferred securities	(448)	(448)	(448)
Preferred stock	(2,329)	(2,057)	(1,807)
Tier 1 common equity (non-GAAP)	$ 3,996	$ 3,845	$ 3,769
Risk-weighted assets (regulatory)	$ 42,676	$ 42,950	$ 47,681
Tier 1 common to risk-weighted assets (non-GAAP)	9.36%	8.95%	7.91%

2. Core net interest margin

This Form 10-Q presents a core net interest margin which excludes the effects of the (1) periodic discount amortization on convertible subordinated debt; (2) accelerated discount amortization on convertible subordinated debt which has been converted; and (3) additional accretion of interest income on acquired loans based on increased projected cash flows.

The schedule below provides a reconciliation of net interest margin (GAAP) to core net interest margin (non-GAAP):

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CORE NET INTEREST MARGIN (NON-GAAP)

	Three Months Ended	
	June 30, 2011	June 30, 2010
Net interest margin as reported (GAAP)	3.62%	3.58%
Addback for the impact on net interest margin of:		
Discount amortization on convertible subordinated debt	0.10%	0.12%
Accelerated discount amortization on convertible subordinated debt	0.53%	0.52%
Additional accretion of interest income on acquired loans	-0.18%	-0.08%
Core net interest margin (non-GAAP)	4.07%	4.14%

3. Income (loss) before income taxes and subordinated debt conversions

This Form 10-Q presents income (loss) before income taxes and subordinated debt conversions which excludes the effects of the (1) periodic discount amortization on convertible subordinated debt and (2) accelerated discount amortization on convertible subordinated debt which has been converted.

The schedule on page 56 provides a reconciliation of income (loss) before income taxes (GAAP) to income (loss) before income taxes and subordinated debt conversions (non-GAAP).

4. 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 and noncontrolling interests for tangible common equity.

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)

	June 30, 2011	December 31, 2010	June 30, 2010
Total shareholders equity (GAAP)	$ 6,913	$ 6,647	$ 6,421
Goodwill	(1,015)	(1,015)	(1,015)
Core deposit and other intangibles	(77)	(88)	(100)
Tangible equity (non-GAAP) (a)	5,821	5,544	5,306
Preferred stock	(2,329)	(2,057)	(1,807)
Noncontrolling interests	1	1	1
Tangible common equity (non-GAAP) (b)	$ 3,493	$ 3,488	$ 3,500
Total assets (GAAP)	$ 51,361	$ 51,035	$ 52,147
Goodwill	(1,015)	(1,015)	(1,015)

Core deposit and other intangibles	(77)	(88)	(100)
Tangible assets (non-GAAP) (c)	$ 50,269	$ 49,932	$ 51,032
Tangible equity ratio (a/c)	11.58%	11.10%	10.40%
Tangible common equity ratio (b/c)	6.95%	6.99%	6.86%

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

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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 investors and analysts in analyzing the operating results or financial position of the Company and in predicting future performance. These non-GAAP financial measures are used by management and the Board of Directors to assess the performance of the Company s business or its financial position for evaluating bank reporting subsidiary performance, for presentations of Company 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 the performance of the Company on the same basis as that applied by management and the Board of Directors.

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 in the evaluation of a company, they have limitations as an analytical tool, and should not be considered in isolation or as a substitute for analyses of results as 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 the Company, and they are closely monitored as previously discussed. A discussion regarding the Company s 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 Offer, has evaluated the effectiveness of the Company s disclosure controls and procedures as of June 30, 2011. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Offer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2011. There were no material changes in the Company s internal control over financial reporting during the first six months of 2011.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information contained in Note 10 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

ITEM 1A. RISK FACTORS

Other than discussed subsequently, the Company believes there have been no significant changes in risk factors compared to the factors identified in Zions Bancorporation s 2010 Annual Report on Form 10-K; however, this filing contains updated disclosures related to significant risk factors discussed in Investment Securities Portfolio, Exposure to State and Local Governments, Credit Risk Management, Market Risk Fixed Income, and Liquidity Risk Management.

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The Company has been and could continue to be negatively affected by adverse economic conditions.

The United States and many other countries recently faced a severe economic crisis, including a major recession. These adverse economic conditions have negatively affected, and are likely to continue for some time to adversely affect, the Company s assets, including its loans and securities portfolios, capital levels, results of operations, and financial condition. In response to the economic crisis, the United States and other governments established a variety of programs and policies designed to mitigate the effects of the crisis. These programs and policies appear to have stabilized the severe financial crisis that occurred in the second half of 2008, but the extent to which these programs and policies will assist in an economic recovery or may lead to adverse consequences, whether anticipated or unanticipated, is still unclear. If these programs and policies are ineffective in bringing about an economic recovery or result in substantial adverse developments, the economic conditions may again become more severe, or adverse economic conditions may continue for a substantial period of time. In addition, economic uncertainty that may result from recent statements by rating agencies regarding the possible downgrade of U.S. sovereign debt, and fiscal imbalances in federal, state, and local municipal finances combined with political difficulties in resolving these imbalances, may directly or indirectly adversely impact economic conditions faced by the Company and its customers. Any increase in the severity or duration of adverse economic conditions, including a double-dip recession or delay in the recovery, would adversely affect the Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

The following table summarizes the Company s share repurchases for the second quarter of 2011:

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
April	28,954	$ 24.01		$
May	41,111	24.02		
June	62,997	23.01		
Second quarter	133,062	23.54		

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

ITEM 6. EXHIBITS

a) Exhibits

Exhibit Number	Description	
3.1	Restated Articles of Incorporation of Zions Bancorporation dated November 8, 1993, incorporated by reference to Exhibit 3.1 of Form S-4 filed on November 22, 1993.	*

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Exhibit Number	Description	
3.2	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 30, 1997, incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2008.	*
3.3	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated April 24, 1998, incorporated by reference to Exhibit 3.3 of Form 10-Q for the quarter ended March 31, 2009.	*
3.4	Articles of Amendment to Restated Articles of Incorporation of Zions Bancorporation dated April 25, 2001, incorporated by reference to Exhibit 3.6 of Form S-4 filed July 13, 2001.	*
3.5	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated December 5, 2006, incorporated by reference to Exhibit 3.1 of Form 8-K filed December 7, 2006.	*
3.6	Articles of Merger of The Stockmen s Bancorp, Inc. with and into Zions Bancorporation, effective January 17, 2007, incorporated by reference to Exhibit 3.6 of Form 10-K for the year ended December 31, 2006.	*
3.7	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated July 7, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 8, 2008.	*
3.8	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated November 12, 2008, incorporated by reference to Exhibit 3.1 of Form 8-K filed November 17, 2008.	*
3.9	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation, dated June 30, 2009, incorporated by reference to Exhibit 3.1 of Form 8-K filed July 2, 2009.	*
3.10	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 30, 2009, incorporated by reference to Exhibit 3.10 of Form 10-Q for the quarter ended June 30, 2009.	*
3.11	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 1, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 3, 2010.	*

Exhibit Number	Description	
3.12	Articles of Amendment to the Restated Articles of Incorporation of Zions Bancorporation dated June 14, 2010, incorporated by reference to Exhibit 3.1 of Form 8-K filed June 15, 2010.	*
3.13	Amended and Restated Bylaws of Zions Bancorporation dated May 4, 2007, incorporated by reference to Exhibit 3.2 of Form 8-K filed on May 9, 2007.	*
10.1	Standard Stock Option Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (filed herewith).	
10.2	Standard Restricted Stock Award Agreement, Zions Bancorporation 2005 Stock Option and Incentive Plan (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 June 30, 2011, December 31, 2010, and June 30, 2010, (ii) the Consolidated Statements of Income for the three months ended June 30, 2011 and June 30, 2010 and the six months ended June 30, 2011 and June 30, 2010, (iii) the Consolidated Statements of Changes in Shareholders Equity and Comprehensive Income for the six months ended June 30, 2011 and June 30, 2010, (iv) the Consolidated Statements of Cash Flows for the three months ended June 30, 2011 and June 30, 2010 and the six months ended June 30, 2011 and June 30, 2010, and (v) the Notes to the Consolidated Financial Statements (furnished 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,

President and Chief Executive Officer

/s/ Doyle L. Arnold
Doyle L. Arnold, Vice Chairman and

Chief Financial Officer

Date: August 9, 2011