ZIONS BANCORPORATION

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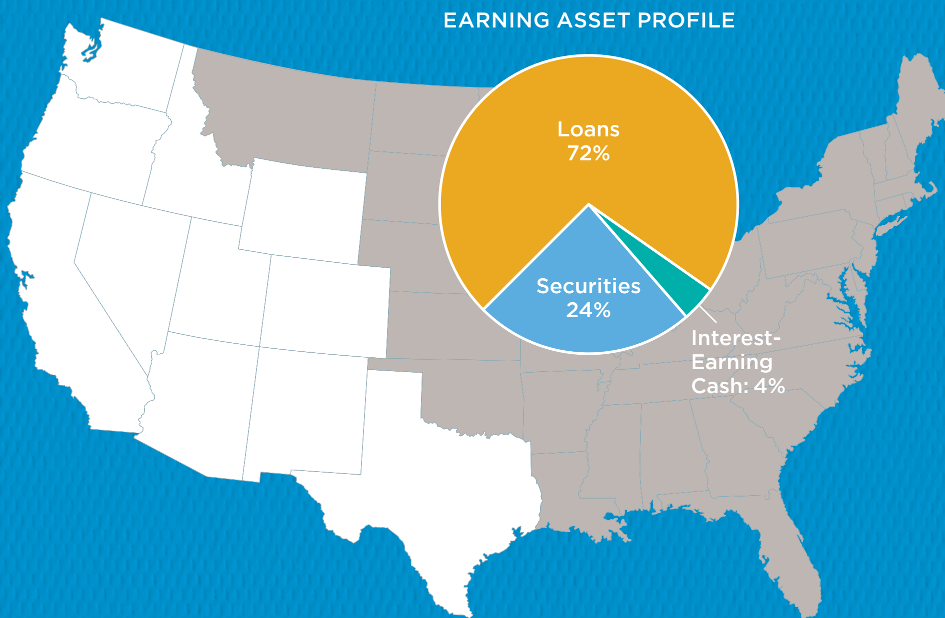
YEAR IN REVIEW

Investing in Simple

A COLLECTION OF GREAT BANKS

We remain committed to our distinctively local approach to banking, operating as a "Collection of Great Banks" with local brand names and management teams in each of our major western markets. This approach has yielded many customer satisfaction awards over recent years. We're simplifying our operational processes, major operating policies, and the products we offer to our customers. We expect these changes to provide a better experience for our customers and to produce strong improvements in profitability.



Zions Bank
Salt Lake City, UT / Boise, ID / Jackson, WY
$16.8 billion deposits

Nevada State Bank
Las Vegas, NV
$4.2 billion deposits

Amegy Bank of Texas
Houston, TX
$11.9 billion deposits

Vectra Bank Colorado
Denver, CO
$2.8 billion deposits

California Bank & Trust
San Diego, CA
$11.0 billion deposits

The Commerce Bank of Washington
Seattle, WA
The Commerce Bank of Oregon
Portland, OR
$1.2 billion deposits

National Bank of Arizona
Phoenix, AZ
$4.6 billion deposits

FINANCIAL HIGHLIGHTS

(Amounts in millions, except per share amounts)	2016/2015 Percent Change	2016	2015	2014	2013	2012
FOR THE YEAR						
Net interest income	9%	$ 1,867	$ 1,715	$ 1,680	$ 1,696	$ 1,732
Noninterest income	44	516	357	493	327	412
Total revenue	15	2,383	2,073	2,173	2,023	2,143
Provision for loan losses	NM	93	40	-98	-87	14
Noninterest expense	<1	1,585	1,581	1,649	1,704	1,587
Impairment loss on goodwill	NM	—	—	—	—	1
Income before income taxes	56	705	452	621	406	542
Income taxes	66	236	142	223	143	193
Net income	52	469	310	399	264	348
Net loss applicable to noncontrolling interests	NM	—	—	—	0	-1
Net income applicable to controlling interest	52	469	310	399	264	350
Net earnings applicable to common shareholders	67	411	247	327	294	179
PER COMMON SHARE						
Net earnings – diluted	66%	$ 2.00	$ 1.20	$ 1.68	$ 1.58	$ 0.97
Net earnings – basic	66	1.99	1.20	1.68	1.58	0.97
Dividends declared	27	0.28	0.22	0.16	0.13	0.04
Book value [1]	4	34.10	32.67	31.35	29.57	26.73
Market price – end		43.04	27.30	28.51	29.96	21.40
Market price – high		44.15	33.42	33.33	31.40	22.81
Market price – low		19.65	23.72	25.02	21.56	16.40
AT YEAR-END						
Assets	6%	$ 63,239	$ 59,665	$ 57,203	$ 56,021	$ 55,499
Net loans and leases	5	42,649	40,650	40,064	39,043	37,670
Deposits	6	53,236	50,374	47,848	46,363	46,134
Long-term debt	-34	535	812	1,086	2,263	2,324
Shareholders' equity:						
Preferred equity	-14	710	829	1,004	1,004	1,128
Common equity	4	6,925	6,679	6,366	5,461	4,924
Noncontrolling interests	NM	—	—	—	—	-3
PERFORMANCE RATIOS						
Return on average assets		0.78%	0.53%	0.71%	0.48%	0.66%
Return on average common equity		5.95	3.75	5.42	5.73	3.76
Tangible return on average tangible common equity		7.07	4.55	6.70	7.44	5.18
Net interest margin		3.37	3.19	3.26	3.36	3.57
CAPITAL RATIOS [1]						
Equity to assets		12.1%	12.6%	12.9%	11.5%	10.9%
Common equity tier 1 (Basel III), tier 1 common (Basel I) [2]		12.1	12.2	11.9	10.2	9.8
Tier 1 leverage [2]		11.1	11.3	11.8	10.5	11.0
Tier 1 risk-based capital [2]		13.5	14.1	14.5	12.8	13.4
Total risk-based capital [2]		15.2	16.1	16.3	14.7	15.1
Tangible common equity		9.5	9.6	9.5	8.0	7.1
Tangible equity		10.6	11.1	11.3	9.9	9.2
SELECTED INFORMATION						
Average common and common-equivalent shares		204.3	203.7	192.8	184.3	183.2
Common dividend payout ratio		14.0%	18.3%	9.6%	8.2%	4.1%
Full-time equivalent employees (actual)		10,057	10,200	10,462	10,452	10,368
Commercial banking offices (actual)		436	450	460	469	480

[1] At year-end, as a percent of total assets (GAAP), or risk-weighted assets (regulatory)

[2] For 2015 and 2016, ratios are based on Basel III. For years prior to 2015, ratios are based on Basel I

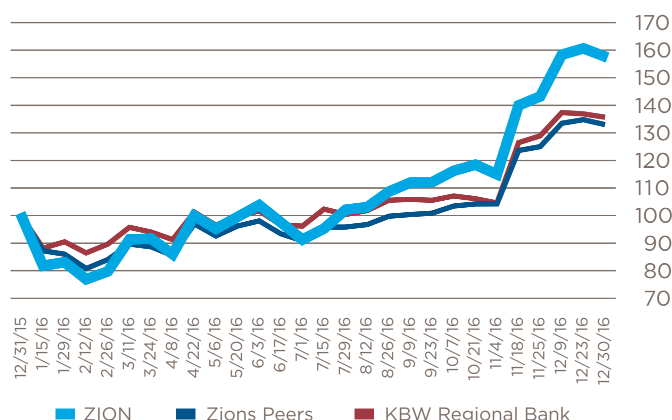
Numbers may not sum due to rounding

TO OUR SHAREHOLDERS

2016 was a momentous year for Zions Bancorporation. Earnings per fully diluted share increased 66%, and the total return to shareholders, consisting of common dividends paid plus the appreciation in our share price, was 59%. We have among the strongest balance sheets in the industry as measured by capital, loss reserves, and the nature and size of our core deposit franchise.

Harris H. Simmons, Chairman and CEO

2016 STOCK PRICE PERFORMANCE
Indexed to 100



2016 was a momentous year for Zions Bancorporation. We delivered dramatic improvement in our financial performance while undergoing significant organizational changes designed to ensure our competitiveness in an industry that is itself rapidly changing. Earnings per fully diluted share increased 66% to $1.99 from $1.20 in 2015, and our total return to shareholders, consisting of common dividends paid plus the appreciation in our share price, was 59%. This compares to a 36% increase in the Keefe Regional Bank Index over the same period. In mid-2016 we increased the quarterly dividend by 33% to eight cents per share per quarter, and we initiated a share repurchase program in the amount of $45 million per quarter.

We've made tremendous progress over the past two years in building a stronger business. We have among the strongest balance sheets in the industry as measured by capital, loss reserves, the nature and size of our core deposit franchise and our very modest level of indebtedness. Credit quality remains very healthy. We're making significant investments in foundational technology that should position us to be a leader in delivering digital banking solutions to our customers in the years ahead. And we're focused on deepening our market penetration with high-value business and retail customers in some of the best growth markets in the nation.

A Focus on Simple, Easy, Fast

We've been working hard this past year on simplifying our business. The regulatory environment has become much more complex and challenging in the wake of the 2008-2009 financial crisis and the implementation of

the Dodd-Frank Act, with the result that we and others in the industry have overhauled our internal policies and governance structures, added additional people and invested in risk management and compliance systems, creating pressure on operating costs. We've also been operating in a period of historically low interest rates and lackluster loan demand, making revenue growth difficult to achieve. And the emergence of mobile devices and digital banking products and delivery channels – many provided by nimble and focused start-up companies in Silicon Valley and elsewhere – makes it more important than ever that we invest in new technologies. Our response to this challenging environment has been to focus on a goal that we refer to as "Simple, Easy, Fast" as we think about how we design internal processes, how we create products, and the experience we want to provide to customers.

Our historical organizational structure, consisting of a multi-bank holding company with individually chartered banks in each major market, had become increasingly unwieldy as we attempted in many cases to customize back office support to the varying products and needs of each of our subsidiary banks. While we operated with the same set of technology systems, they were often used in very different ways across the enterprise. This structure also occasionally resulted in quite material inconsistencies with respect to how we defined and gathered data, requiring a great deal of effort and expense to translate varying data definitions in order to produce standardized regulatory and internal reports.

At the close of business on December 31, 2015, we consolidated our seven bank subsidiaries under the umbrella of a single national bank charter, ZB, N.A., making 2016 the first year operating under this new structure. We remain committed to our distinctively local approach to banking, operating as a "Collection of Great Banks" with local brand names and management teams in each of our major western markets. But we're intent on simplifying our operational processes, major operating policies, and the products we offer to our customers. While we have made a great deal of progress over the past fifteen years in centralizing the majority of the non-customer-facing functions that support our frontline bankers, the consolidation of our banking charters has enabled us to take further steps to reduce costs while providing exceptional service. During the first year under our consolidated charter structure, we undertook a number of initiatives to simplify and improve how we operate. The following are just a few examples:

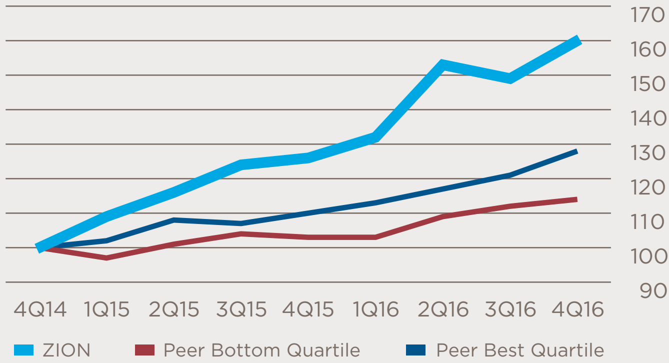
- We began the process of consolidating and simplifying all of our retail deposit products, reducing the number of products and variations thereof that we support by 75%, from 529 to 132. The first wave of these new product offerings – including certificates of deposit and individual retirement accounts - was launched in January 2017, reducing the number of such products from 98 to 17.

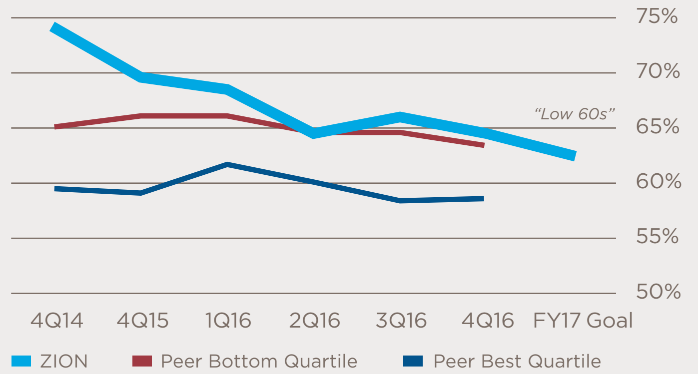
- We simplified the consumer loan approval process, leveraging technology to improve the customer experience. In doing so, we reduced the time it takes from receiving an application to the point of funding some products, such as personal unsecured loans, from as long as three days to as little as fifteen minutes. The improved customer experience fueled renewed confidence on the part of our frontline bankers, with the result that application volumes for home equity credit lines, for example, were up 42% in 2016 over 2015 totals.

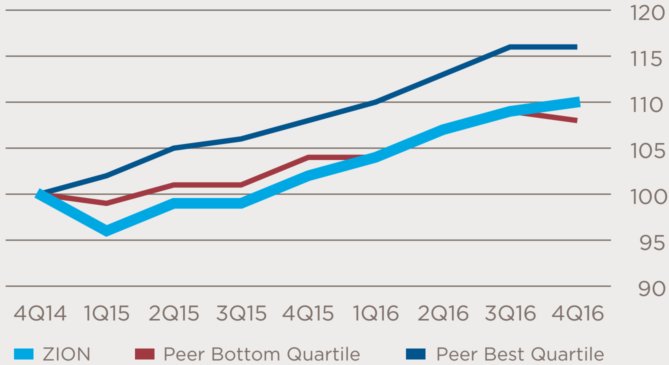
- We initiated a review and reengineering of our Business Banking lending processes. This line of business, which focuses on smaller businesses with revenues of up to about $10 million and credit needs of up to about $3 million, encompasses a substantial portion of our total commercial lending volume, and the preponderance of commercial lending activity in terms of numbers of loans made and customers served. The changes we

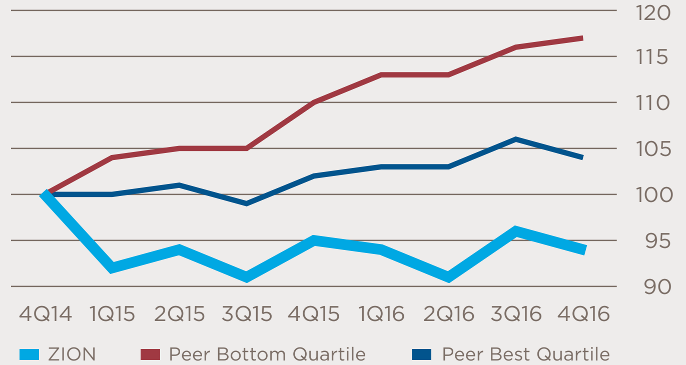
PERFORMANCE METRICS

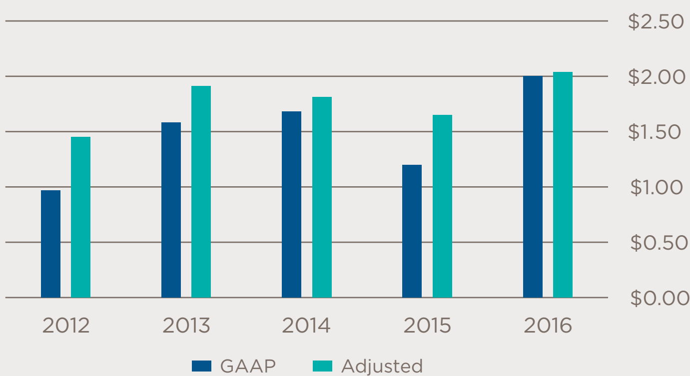
Certain financial measures containing descriptive words such as "core" or "adjusted" are subject to GAAP-to-Non-GAAP reconciliation tables, which can be found on page 18.

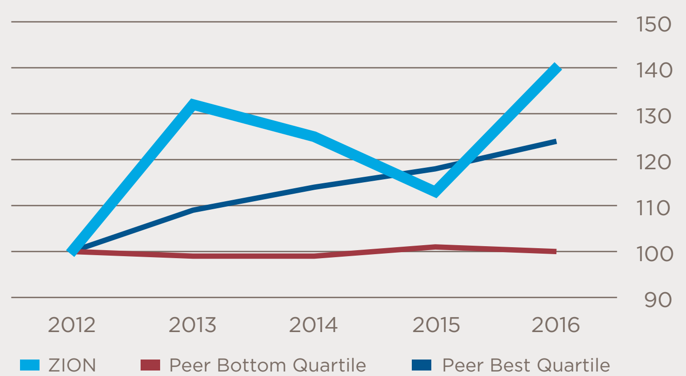












plan to implement in 2017 are expected to reduce the time it takes to complete and fund most of these loans from several days to under four hours, with associated reductions in cost.

- We combined the parent company and subsidiary bank risk management organizations into a single enterprise-wide group with regional credit executives and a streamlined process for approving larger commercial loans.
- We consolidated our financial accounting staff, organizing a single enterprise group from the multiple groups operating in our various subsidiaries, and reducing the overall number of employees in this function by 18%.
- We consolidated decentralized recruiting groups into an enterprise-wide recruiting organization, with a 22% reduction in staffing.
- We consolidated the Business Intelligence Analytics groups that had served each of our subsidiary banks, reducing staffing by 16% in the process.
- We completed the consolidation of our mortgage banking operations, organizing all of our activities under a single enterprise-wide entity. This contributed to a 41% increase in mortgage origination volumes over 2015 levels.
- We simplified our Wealth Management and Trust business, consolidating two trust entities into one, three registered investment advisors into one and two broker-dealers into a single entity, while consolidating the systems that support these groups. At the same time, we increased revenue by 16% and reduced expenses by 5% in this line of business, with additional savings and revenue growth expected in 2017.
- We completed the centralization of our loan operations function, reducing from fifteen to two the number of sites at which we prepare documents and service commercial and commercial real estate loans.
- We completed the installation of a new “front end” system for commercial lenders, substantially simplifying the process of renewing and modifying loans while providing much more reliable and consistent data on our borrowers.
- In our Enterprise Technology and Operations division alone, a focus on continuous improvement resulted in our employees identifying 118 ideas and process improvements with a value of $25,000 or more, and an aggregate value of $22.2 million in “hard dollar” savings and revenue improvements and $6.4 million in “soft dollar” savings in 2016.

We also continue to work toward the replacement of our core technology – applications that support our loan and deposit activities – with a more robust and modern integrated core system. We expect the first of three “releases,” or modules, one that supports consumer lending, to be deployed in mid-2017, with two future releases supporting commercial lending and depository activities to be deployed in the future. We expect our investment in these systems will allow us to simplify operations, better manage risk, allow for innovation in product development and provide a better experience to our customers and the employees who serve them.

Financial Results

Our operating results continued to improve in 2016, as evidenced by a 67% increase in net earnings applicable to common shareholders, and a 66% increase in fully diluted earnings per share. When adjusted for securities gains and losses, and other non-operating items, earnings per share increased 23%, from $1.66 in 2015 to $2.05 in 2016.

Our adjusted return on average tangible common equity improved to 7.1% from 6.1% in 2015. We expect to continue to improve returns both *on* and *of* equity.

Our focus on simplification and cost containment is paying real dividends, as total operating expenses were held essentially flat in 2016. Our core operating expenses, adjusted to exclude relatively modest severance and restructuring costs, debt extinguishment, intangible asset amortization and foreclosed property expense, and provisions for unfunded lending commitments, increased 1.2% during the year to $1,579 million. These core operating costs have been generally flat for a four-year period.

While costs were carefully controlled, taxable-equivalent revenue, adjusted to exclude investment securities gains and losses and fair value and non-hedge derivatives income, increased a strong 7.2% to $2,399 million. This revenue growth was primarily a product of strong growth in securities and moderate growth in loans. An improved mix of earning assets more than offset the drag of continued low interest rates, and produced a net interest margin of 3.37% in 2016, up from 3.19% in 2015.

Noninterest income, adjusted to exclude securities gains and losses and fair value and nonhedge derivative income, increased 4.5% to $506 million in 2016. However, non-interest income derived from customer-related activities (i.e., excluding investment securities gains, dividend income, etc.) increased 6.9% to $473 million, with strong gains in credit and debit card revenues, treasury services and corporate cash management income, wealth management fees and loan sales and servicing income.

The combination of solid revenue growth and well-contained operating expenses – known as positive operating leverage –

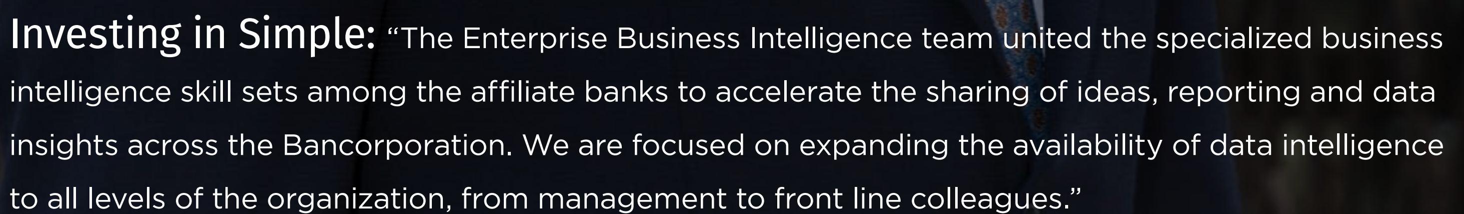
Zions Announced Financial Targets

On June 1, 2015 Zions announced several financial targets, including:

	Second Half of 2015		Full Year 2016		Full Year 2017	
	Goal	Achieved?	Goal	Achieved?	Goal	Achieved?
Adjusted Noninterest Expense(1)	Hold to below $1.58(2) billion	✓	Hold to below $1.58(1) billion	✓	Slightly above $1.58 (1) billion	TBD
Efficiency Ratio	≤70%	✓	<66%	✓	Low 60s	TBD
Gross Cost Savings of $120 million	50%	✓	>80%	✓	100%	TBD
Pay Off High Cost Subordinated Debt	100%	✓	—	—	—	—
Preferred Equity Dividends	—	—	—	—	Lower by ~$20 million vs. 2014A	Expected to beat by $10mm+

(1) Adjusted for items such as severance, provision for unfunded lending commitments, securities gains and losses and debt extinguishment costs. See page 18 for a GAAP to non-GAAP reconciliation table.

(2) Reduced by $20 million from original stated target of "less than $1.60 billion," driven by an accounting adjustment made in 1Q16 which effectively re-categorized corporate card rewards program expense from noninterest expense to be netted against associated revenue.



Investing in Simple: "The Enterprise Business Intelligence team united the specialized business intelligence skill sets among the affiliate banks to accelerate the sharing of ideas, reporting and data insights across the Bancorporation. We are focused on expanding the availability of data intelligence to all levels of the organization, from management to front line colleagues."

Oai Duong, Senior Vice President, Director of Enterprise Business Intelligence, Zions Bancorporation

Investing in Simple: "The partnerships we have created throughout the enterprise to solve problems and share solutions on everything from policy streamlines to workflow improvements, produce wins that we can all participate in. Simplifying delivery – whether internally or externally – is key to being a great bank."

Jill S. Vaughan, Executive Vice President, Southwest Regional Credit Executive, Zions Bancorporation

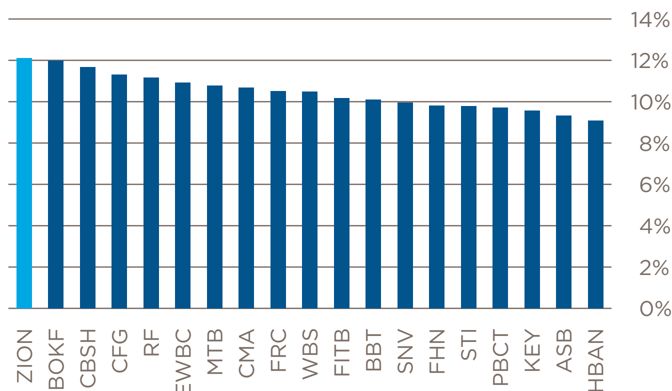
produced a very strong 25% increase in adjusted pre-tax, pre-loan loss provision operating income. This was one of the strongest performances in this regard among the industry's largest banks in 2016. We're determined to produce additional positive operating leverage in 2017.

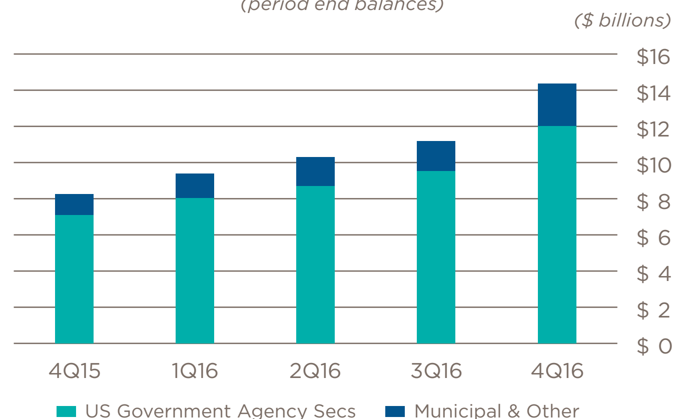
We established a goal in June 2015 to contain expenses while achieving significant improvement in our "efficiency ratio," a measure of adjusted operating expense relative to adjusted revenue. In late 2014 our efficiency ratio exceeded 74%. We set a goal to reduce the ratio to less than 66% during 2016 while holding adjusted operating expense at under $1.58 billion, and to further reduce our efficiency ratio to a percentage in the "low '60's" in 2017. I'm pleased to report that we achieved our goal in 2016, with an efficiency ratio of 65.8% and adjusted operating expenses of $1.579 billion. We remain committed to continued improvement in our cost structure relative to revenues in 2017 and beyond.

A Strong Balance Sheet

Many long-time investors in bank stocks posit that, over time, a disproportionate share of the value of a bank's franchise is determined by the composition of the "right side" of the balance sheet, consisting primarily of deposits, debt and other market funding, and equity. Zions Bancorporation continues to have one of the strongest funding structures of any of the nation's largest banks. We ended the year with a "Common Equity Tier 1" ratio, which is fundamentally tangible common shareholders' equity divided by risk-weighted assets, of 12.1%; and a "Tier 1 Risk-based Capital" ratio (which includes preferred stock) of 13.5%. At the same time, our debt as a percentage of Common Equity Tier 1 capital was a modest 23% at year end, which compares to a peer median of nearly 120%. Each of these measures was the strongest among any of the 18 peer banking companies enumerated in our proxy materials. We also continue to maintain an allowance for credit losses which, at 1.5% of loans, is substantially stronger than most of our peers' ratios despite the fact that our net charge-offs as a percentage of loans were at about the median level for our peer group in 2016.

A major source of our balance sheet value is derived from our strong core deposit base, with average noninterest-bearing demand deposits providing funding for 40% of our total average interest-earning assets, up slightly from 39% in 2015. A substantial portion of these low-cost deposits are





derived from small and medium-sized businesses, which are a major focus of our marketing activities.

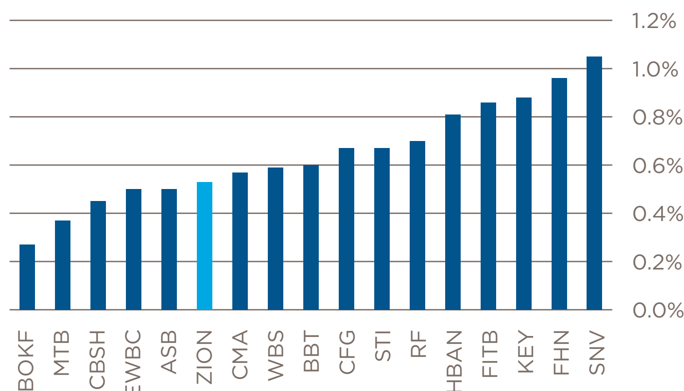
We significantly reengineered the asset side of our balance sheet during 2016. For the past several years, we've held substantial amounts of very liquid short-term assets and money market investments, much of it in the form of deposits held with the Federal Reserve. This positioned us well for the possibility of rising interest rates, as the yield on these investments would improve almost immediately with an increase in short term rates. But in light of the unusually low short term interest rates that have been prevalent over the past several years, this also created a great deal of pressure on our net interest margin, and thus on our profitability. In the latter part of 2015 and through 2016 we deployed much of this short term cash primarily into highly liquid United States government agency mortgage-backed securities and municipal bonds, both with relatively short "duration," a measure of the effective maturity of a bond. This provided improved yields while still affording us substantive protection against rising interest rates. Average money market investments decreased 56% or $4.6 billion in 2016, while average investment securities increased 77% or $4.5 billion. At the same time, we improved the yield on this combined pool of approximately $14 billion of liquid money market investments and securities by 61 hundredths of a percentage point, yielding an improvement in income of $84 million during the year.

Total average loans and leases increased 4.7% to $42.1 billion during the year, despite a decrease of $0.5 billion in oil and gas-related loans. Such loans comprised 5% of total loans held for investment at the end of 2016, down from 7% a year ago. And while our overall asset quality remained strong during 2016, oil and gas-related loans remained under stress due to low commodity prices that have persisted over the past two-and-a-half years, with oil prices reaching a trough in the high $20 range in early 2016. The market has subsequently strengthened, with recent prices in the low $50 range.

Asset quality in 2016 was really a "tale of two portfolios," with the remaining 95% of the portfolio that excludes these energy credits continuing to be in very strong condition. Notably,

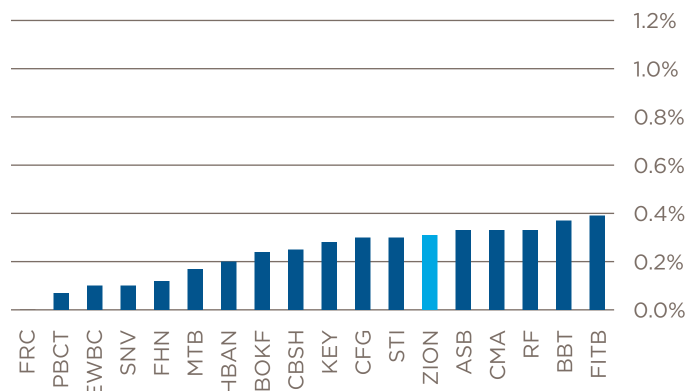
25 YEARS OF CREDIT QUALITY

Average annual NCOs as a percentage of average loans 1990-2015



NET CHARGE-OFFS / AVERAGE LOANS

More than 99% of 2016 NCOs were attributable to the oil and gas loan portfolio



Investing in Simple: “Making processes simple, easy and fast requires efficiency, speed and certainty of execution. We are making significant investments in financial technology with the primary goal of achieving those objectives. Clients frequently comment that Zions’ competitive advantage is our strong local decision authority within a community bank model, but with access to the financial products and services of a large regional bank. These attributes enable our team of professionals to offer custom financial solutions to a wide range of clients.”

Mark Young, President and Chief Executive Officer, National Bank of Arizona

Investing in Simple: "The Deposit, Treasury, and Bank Operations team members have implemented 14,000 improvement ideas in the last two years. Their ideas have allowed us to improve the customer experience, simplify processes, improve our ability to mitigate risk, and to decrease organizational expense by $13 million annually. In the past, team members focused each day on getting their work done. Now, it's about improving the work they're accomplishing each day."

Ken Collins, Executive Vice President, Director of Operations, Systems, and Services

Our response to this challenging environment – including very low interest rates, lackluster loan demand, and intensified regulatory requirements – has been to focus on a goal that we refer to as "Simple, Easy, Fast" as we think about how we design internal processes, how we create products, and the experience we want to provide to customers.

of the Company's $131 in net charged-off loans in 2016, $130 million came from the $2.2 billion oil and gas-related loan portfolio, with the remaining $39.9 billion of loans producing only $1 million in losses. The provision for loan losses was $93 million in 2016, an increase from $40 million in 2015. With recent improvements in oil prices and a great deal of work by both borrowers and the bank, we expect losses in the oil and gas-related loan portfolio to subside in 2017, with credit quality in the rest of the portfolio remaining strong.

Changing Political Winds

The 2016 election will long be remembered as not only being characterized by a very bitter and vitriolic campaign season, but even more for its surprising result. With Republicans capturing the Presidency and continuing to control both houses of Congress, equity markets, after initially selling off due to the surprise and uncertainty with respect to policies that may come from a Trump administration, quickly began to grasp the possibility of substantive changes to Obama-era laws and regulations, as well as pro-growth reform of our nation's income tax system. The market particularly rewarded the prospect of reform in the financial sector, with the Keefe Regional Bank Stock Index rising 28% in the month following the election. Zions Bancorporation fared even better, as our common share price appreciated 33% in the 30 days following the vote, perhaps reflecting in part the disproportionate cost burden we've borne as the smallest of the "Systemically Important Financial Institutions," or "SIFIs" as defined by the Dodd-Frank Act.

In fairness, regulators had already begun to recognize the need to attempt to tailor some of the more onerous requirements of Dodd-Frank to better align with huge size disparities between the handful of the nation's very largest banks that inarguably pose systemic risk to the nation's economy, and the regional banks that clearly do not. The Federal Reserve Board of Governors had, for example, recently modified its capital planning expectations to take into account the size and complexity of banks subject to its capital rules, and had proposed changes that would eliminate the formal qualitative assessment from the Comprehensive Capital Analysis and Review (CCAR) process for regional banks with less than $250 billion in assets. Nevertheless, such changes had been relatively modest.

There has been growing recognition in Washington that the Dodd-Frank Act is a very blunt instrument in need of reform, including the elimination of the arbitrary $50 billion asset threshold that automatically establishes a bank holding company as being systemically important. Accordingly, in the waning days of the 114th Congress, the House of Representatives passed with a 254-161 vote a bi-partisan bill, for which we lobbied intensively. The Systemic Risk Designation Improvement Act (HR 6392) would eliminate the $50 billion threshold and instead require the federal government to take into account a variety of factors, including not only size, but a financial institution's complexity and interconnectedness with the larger financial system. The significance of this bill for

We have truly extraordinary bankers serving vibrant communities throughout the West. They're not only great bankers doing all they can to apply our resources to build strong local economies; they're great citizens – providing leadership and voluntary service in countless non-profit organizations and local government councils and boards, and making their communities better places to live.

Zions Bancorporation is that it would almost certainly relieve us from the "Enhanced Prudential Standards" requirements of the Dodd-Frank Act, including the Federal Reserve's requirement that we participate in the CCAR process and be subject to the Federal Reserve's own stress testing models, the specifics of which have never been published and are therefore inherently challenging to comply with. Instead, we would use our own models, which have been developed at great cost and effort – and which would remain subject to regulatory oversight – in determining our risk tolerances and capital needs in excess of regulatory minimums.

While HR 6392 did not become law, it sets the stage for deliberations in the new Congress. With a 52 vote majority in a Senate that will likely continue to require 60 votes to avoid a stalemate, Republicans are not assured of achieving their entire financial reform agenda. Nevertheless, there are a number of promising signs that the new administration and Congress will make significant progress in bringing better balance to the legal and regulatory framework in which we operate. Areas we'll be watching include:

- The new chairman of the Senate Banking Committee, Senator Mike Crapo (R-Idaho) has demonstrated an ability to work productively with his Democratic colleagues. He has a particular interest in both Dodd-Frank Reform, and on ensuring the stability and safety of the nation's largest government sponsored enterprises, Fannie Mae and Freddie Mac.

- House Financial Services Committee Chairman Jeb Hensarling (R-Texas) is highly focused on Dodd-Frank Act reform. His proposed "CHOICE" Act would exempt banks that have strong capitalization from many regulations and would reform the governance structure of the Consumer Financial Protection Bureau (CFPB).

- It is expected that in the near term, President Trump will appoint a new Comptroller of the Currency and a new Federal Reserve Board Vice Chairman for Bank Supervision, a post required by the Dodd-Frank Act that was not filled by President Obama. By 2018, a new Chairman of the FDIC will also likely be appointed. These regulators will set the tone for how regulations are administered, and will help establish an agenda for regulatory reform.

- Three weeks into his new administration, President Trump signed executive orders limiting the cost of new regulations and establishing a set of core principles for financial regulations that would, among other things, endeavor to rationalize the regulatory framework, foster greater competitiveness and make regulation efficient, effective and appropriately tailored while also empowering Americans to make independent and informed financial decisions and preventing taxpayer-funded bailouts. Small businesses across the nation have cited excessive regulation as a primary reason for

depressed levels of optimism about future sales. In the wake of the election, the survey that measures small business optimism jumped from near-recessionary levels to robust, expansionary levels. Because a high percentage of Zions' customers are small and medium sized businesses, we believe a reduced pace of regulation should help improve loan and revenue growth.

- The new administration and congressional leaders have indicated that tax reform will be a major priority. According to the Organization for Economic Cooperation and Development (OECD), the United States, at 35%, has the highest federal corporate income tax rate among its 35 member nations. The median federal tax rate among OECD members is 22% - the tax rate found in such progressive countries as Sweden and Denmark. Because we've been very conservative in the deployment of strategies that reduce federal taxes, a reduction in the corporate tax rate is expected to be highly beneficial to Zions Bancorporation.

The Great Markets We Serve

I'm very optimistic about the future for the dynamic western markets in which we operate. The trajectory of population growth in the United States is working in our favor. Every ten years, the U.S. Census Bureau calculates the "center of population" for the nation, calculated as the place where an imaginary, flat map of the U.S. would balance perfectly - if all of the nation's residents were of identical weight! In 1790, the center of population was in Kent County, Maryland. By 2010, it was a thousand miles west – in Texas County, Missouri – owing to the disproportionate rate of growth in the South and the West. Our headquarters market, Utah, was ranked as the best state for business in 2016 by both Forbes and CNBC, and was reported by the U.S. Census Bureau to be the nation's fastest growing state in 2016. Eight of the eleven states which constitute our primary market area were among the ten fastest growing states last year, and six of those states were among the top ten in terms of aggregate population growth. We're extremely well positioned to capitalize on this growth, and to serve the tens of thousands of new businesses and the hundreds of thousands of new consumers that arrive in the West each year.

We have truly extraordinary bankers serving vibrant communities throughout the West. They're not only great bankers doing all they can to apply our resources to build strong local economies; they're great citizens – providing leadership and voluntary service in countless non-profit organizations and local government councils and boards, and making their communities better places to live. As I travel throughout the West and see their exceptional work, their integrity and their determination to be the very best at serving our customers, I'm reminded of what a privilege it is to work with such outstanding people. I'm proud of the great bank they've built, and hope you'll invite your friends and acquaintances to allow us to serve their needs as well as your own.

Harris H. Simmons
Chairman and Chief Executive Officer

February 14, 2017

A

B

NEVADA STATE
VETERANS
MEMORIAL
A NATIONAL TRIBUTE
C

D

nbaz
E

Proud to
Support
Community
F

G

IN THE COMMUNITY

For more than 140 years our employees have invested their time, resources and passion and proudly volunteered for a wide variety of non-profit/civic groups throughout the communities we serve. Here is a small sample of the many ways they worked in 2016 to make their communities stronger, and better places to live.

A The Commerce Bank of Washington
The Commerce Bank selected The Children's Therapy Center as a focus of community outreach in 2016 as they serve special needs children throughout the Puget Sound region. The bank's staff painted, landscaped, pressure washed, and contributed in various other ways to improve the facility. Since 1979, the Center has helped maximize the potential of children with special needs by providing essential services and products including physical, occupational and speech therapy, as well as early intervention services.

B Vectra Bank Colorado
The Gathering Place is Denver's only daytime drop-in center for women, children, and transgender individuals who are experiencing poverty or homelessness. Each year, the employees of Vectra's treasury management department dedicate their time, money and talents to supporting this valuable nonprofit in the community. To increase sustainable funding for The Gathering Place, it launched Art Restart, a social enterprise which sells licensed original artwork in the form of cards created by its clients. Vectra is proud to provide additional support to The Gathering Place through the purchase of annual holiday cards.

C Nevada State Bank
On Memorial Day Weekend 2016, Nevada State Bank executives attended the dedication of the Nevada State Veterans Memorial, a tribute to veterans of all eras. In honor of its 56 years in Nevada, the Bank purchased 56 memorial bricks honoring Nevada service members who lost their lives serving our country.

D Amegy Bank of Texas
Amegy Bank raised more funds than any other bank in Houston for the United Way. During the annual United Way Day of Caring, volunteers supported Career and Recovery Resources by revitalizing a garden for the organization's clients to enjoy and enhancing the interior of the building. Work included mulching, lattice repair, painting and cleaning. Career and Recovery Resources seeks to help people identify and overcome barriers to employment by offering veteran services, employment services, substance abuse counseling, career development and technology education.

E National Bank of Arizona
During NB|AZ® Volunteer Day, employees gathered across the state to dedicate their time to a worthy cause. One of the nonprofits supported was Victory House, which provides affordable housing to homeless veterans. Volunteers renovated the apartments by painting walls, landscaping, and installing cabinets and appliances.

F California Bank & Trust
California Bank & Trust (CB&T) partnered with Accion, a nonprofit micro lender dedicated to connecting entrepreneurs with accessible financing and resources, and two governmental agencies devoted to small business success to host the "Financing for Business Success" event series in 2016. Events included panel discussions on the basics of banking and keys to financial success. "Serving the small businesses in the communities where we do business is vital to our local economy and workforce development. The Financing for Business Success event gives us an opportunity to provide economic development resources to many promising entrepreneurs," said CB&T Vice President and Community Reinvestment Liaison Lisa Brooks.

G Zions Bank
For the past 18 years, Zions Bank has hosted a traveling exhibit of the Natural History Museum of Utah, visiting nearly 100 financial centers across Utah, many in rural communities without ready access to museums. In 2016, the Traveling Treasures exhibit previewed the museum's "Power of Poison" exhibit and featured venomous snakes, a live black widow spider and toxic plants and minerals.

GAAP TO NON-GAAP RECONCILIATION

	($ in thousands except per share amounts)	2016	2015	2014	2013	2012
	PRE-PROVISION NET REVENUE (PPNR)					
(a)	**Total noninterest expense**	**1,585,274**	**1,580,607**	**1,649,367**	**1,703,916**	**1,586,657**
	LESS adjustments:					
	Severance costs	4,649	11,005	8,644	4,936	5,398
	Other real estate expense	(1,597)	(647)	(1,251)	1,712	19,723
	Provision for unfunded lending commitments	(9,927)	(6,238)	(8,629)	(17,104)	4,387
	Debt extinguishment cost	353	2,530	44,422	120,192	—
	Amortization of core deposit and other intangibles	7,853	9,247	10,923	14,375	17,010
	Restructuring costs	4,682	3,852	—	—	—
(b)	*Total adjustments*	*6,013*	*19,749*	*54,109*	*124,111*	*46,518*
(a-b)=(c)	**Adjusted noninterest expense**	**1,579,261**	**1,560,858**	**1,595,258**	**1,579,805**	**1,540,139**
(d)	Net interest income	1,867,348	1,715,260	1,680,004	1,696,359	1,731,969
(e)	Fully taxable-equivalent adjustments	25,329	17,898	16,142	15,422	18,185
(d+e)=(f)	Taxable-equivalent net interest income (TENII)	1,892,677	1,733,158	1,696,146	1,711,781	1,750,154
(g)	Noninterest Income	515,609	357,241	492,704	326,884	411,510
(f+g)=(h)	**Combined Income**	**2,408,286**	**2,090,399**	**2,188,850**	**2,038,665**	**2,161,664**
	LESS adjustments:					
	Fair value and nonhedge derivative income (loss)	2,206	(111)	(11,390)	(18,152)	(21,782)
	Impairment losses on investment securities, net	—	—	(27)	(165,134)	(104,061)
	Equity securities gains (losses), net	7,168	11,875	13,471	8,520	11,253
	Fixed income securities gains (losses), net	102	(138,735)	10,419	(2,898)	19,544
(i)	*Total adjustments*	*9,476*	*(126,971)*	*12,473*	*(177,664)*	*(95,046)*
(h-i)=(j)	**Adjusted revenue**	**2,398,810**	**2,217,370**	**2,176,377**	**2,216,329**	**2,256,710**
(j-c)	**Adjusted pre-provision net revenue (PPNR)**	819,549	656,512	581,119	636,524	716,571
	NET EARNINGS APPLICABLE TO COMMON SHAREHOLDERS (NEAC)					
(k)	Net earnings applicable to common	411,309	246,614	326,568	293,979	178,631
(l)	Diluted Shares	204,269	203,698	192,789	184,297	183,236
	GAAP EPS	1.99	1.20	1.68	1.58	0.97
	PLUS Adjustments:					
	Adjustments to noninterest expense	6,013	19,749	54,109	124,111	46,518
	Adjustments to revenue	(9,476)	126,971	(12,473)	177,664	95,046
	Tax effect for adjustments (38%)	1,316	(55,754)	(15,822)	(114,675)	(53,794)
	Preferred stock redemption	9,759	—	—	(125,700)	—
(m)	Total adjustments	7,612	90,966	25,814	61,401	87,770
(k+m)=(n)	**Adjusted net earnings applicable to common (NEAC)**	**418,921**	**337,580**	**352,382**	**355,380**	**266,401**
(n)/(l)	Adjusted EPS	2.05	1.66	1.83	1.93	1.45
(o)	Average assets	60,049,827	58,044,527	55,881,833	54,932,118	53,265,542
(p)	Average tangible common equity	5,887,519	5,546,026	4,978,709	4,072,158	3,670,814
	PROFITABILITY					
(n)/(o)	Adjusted Return on Assets	0.70%	0.58%	0.63%	0.65%	0.50%
(n)/(p)	Adjusted Return on Tangible Common Equity	7.12%	6.09%	7.08%	8.73%	7.26%
(c)/(j)	Efficiency Ratio	65.8%	70.4%	73.3%	71.3%	68.2%

ZIONS BANCORPORATION

The complete list of officers and directors for Zions Bancorporation and its subsidiaries is available at zionsbancorporation.com.

BOARD OF DIRECTORS

Jerry C. Atkin
Chairman
Skywest Airlines
St. George, Utah

Gary L. Crittenden
Private Investor
Salt Lake City, Utah

Patricia Frobes
Lead Director
Retired/Former Senior Vice President
The Irvine Company
Portland, Oregon

Suren K. Gupta
Executive Vice President of
Technology and Strategic Ventures
Allstate Insurance Company
Chicago, Illinois

J. David Heaney
Chairman
Heaney Rosenthal, Inc.
Houston, Texas

Vivian S. Lee
CEO
University of Utah Health Care
Salt Lake City, Utah

Edward F. Murphy
Retired/Former CFO
Federal Reserve Bank of New York
East Williston, New York

Roger B. Porter
IBM Professor of Business
and Government
Harvard University
Cambridge, Massachusetts

Stephen D. Quinn
Retired/Former Managing Director
and General Partner
Goldman, Sachs & Co.
Naples, Florida

Harris H. Simmons
Chairman and
Chief Executive Officer
Salt Lake City, Utah

CORPORATE OFFICERS

Harris H. Simmons
Chairman and Chief Executive Officer

Scott J. McLean
President and Chief Operating Officer

Executive Vice Presidents

Bruce K. Alexander
CEO, Vectra Bank Colorado

A. Scott Anderson
CEO, Zions First National Bank

David E. Blackford
CEO, California Bank & Trust

Paul E. Burdiss
Chief Financial Officer

Dianne R. James
Chief Human Resources Officer

Thomas E. Laursen
General Counsel

LeeAnne B. Linderman
Retail Banking

Keith D. Maio
Chief Banking Officer

Michael Morris
Chief Credit Officer

Joseph L. Reilly
Chief Technology Strategist

Rebecca K. Robinson
Wealth Management

Stanley D. Savage
CEO, The Commerce Bank
of Washington

Edward P. Schreiber
Chief Risk Officer

Terry A. Shirey
CEO, Nevada State Bank

Jennifer A. Smith
Chief Information Officer

Steven D. Stephens
CEO, Amegy Bank

Mark Young
CEO, National Bank of Arizona

Senior Vice Presidents

James R. Abbott
Investor Relations

Jason J. Brock
Strategic Planning

Travis E. Finstad
Internal Audit

Jacob C. Heugly
Fee Income Strategies

Alexander J. Hume
Controller

Jennifer R. Johnston
Special Projects

Alvin Lee
Corporate Development

Karin J. Lockovitch
Compliance

Michael W. MacDonald
Syndications

Marylyn Manis-Hassanein
Enterprise Initiatives

Zachary S. Price
Finance Operations & Systems

Dale L. Stephens
Credit Examination

J. Brandon Thomas
Chief Data Officer

Matthew L. Tyler
Treasurer

Vice Presidents

Melvin D. Leibsla
John A. Payne

Ticker Symbol Key

ASB	Associated Banc Corp.
BBT	BB&T Corp.
BOKF	BOK Financial Corp.
CBSH	Commerce Bancshares
CFG	Citizens Financial Group
CMA	Comerica Incorporated
EWBC	East West Bancorp
FHN	First Horizon National Corp.
FITB	Fifth Third Bancorp
FRC	First Republic Bank
HBAN	Huntington Bancshares
KEY	KeyCorp
MTB	M&T Bank Corp.
PBCT	People's United Financial, Inc.
RF	Regions Financial Corp.
SNV	Synovus Financial Corp.
STI	SunTrust Banks, Inc.
WBS	Webster Financial Corp.
ZION	Zions Bancorporation

CORPORATE INFORMATION

EXECUTIVE OFFICES
One South Main Street
Salt Lake City, Utah 84133-1109
800-974-8800

ANNUAL SHAREHOLDERS' MEETING
Friday, June 2, 2017, 1 p.m. MDT
Zions Bancorporation Executive Offices
Founders Room, 18th Floor

TRANSFER AGENT
Zions Bank
Corporate Trust Department
One South Main Street, 12th Floor
Salt Lake City, Utah 84133-1109
801-844-7545 or 888-416-5176

REGISTRAR
Zions Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133-1109

AUDITORS
Ernst & Young LLP
178 S. Rio Grande Street, Suite 400
Salt Lake City, Utah 84101

NASDAQ GLOBAL SELECT MARKET SYMBOL
ZION

OTHER LISTED SECURITIES
Series A Preferred Stock – NYSE: ZBPRA
Series F Preferred Stock – NYSE: ZBPRF
Series G Preferred Stock – NYSE: ZBPRG
Series H Preferred Stock – NYSE: ZBPRH
Series I Preferred Stock – CUSIP: 989701BD8
Series J Preferred Stock – CUSIP: 989701BF3

DIVIDEND REINVESTMENT PLAN
Shareholders can reinvest their cash dividends in additional shares of our common stock at the market price on the dividend payment date. Shareholders, as well as brokers and custodians who hold our common stock for clients, can obtain a prospectus of the plan on the Zions Bancorporation website at zionsbancorporation.com or by writing to:

Zions Bancorporation
Dividend Reinvestment Plan
P.O. Box 30880
Salt Lake City, Utah 84130-0880

CREDIT RATINGS
Credit ratings are updated regularly and may be found on the Zions Bancorporation website at zionsbancorporation.com.

OPTION MARKET MAKERS
Chicago Board Options Exchange
Philadelphia Stock Exchange

SELECTED INDEX MEMBERSHIPS
S&P 500
S&P Global 1200
KBW Bank
NASDAQ Financial 100

INVESTOR RELATIONS
For financial information about the corporation, analysts, investors and news media representatives should contact:

James R. Abbott
801-844-7637
James.Abbott@zionsbancorp.com

ZIONS BANCORPORATION NEWS RELEASES
Our news releases are available on our website at: zionsbancorporation.com.

To be added to the email distribution list, please visit zionsbancorporation.com and click on "Email Notification."

INTERNET SITES

Zions Bancorporation
zionsbancorporation.com

Zions First National Bank
zionsbank.com

California Bank & Trust
calbanktrust.com

Amegy Bank
amegybank.com

National Bank of Arizona
nbarizona.com

Nevada State Bank
nsbank.com

Vectra Bank Colorado
vectrabank.com

The Commerce Bank of Washington
tcbwa.com

The Commerce Bank of Oregon
tcboregon.com

Zions Direct Inc.
zionsdirect.com

This document may contain statements that could be considered "forward looking." Readers should review the forward-looking statement disclaimer of Zions' Annual Report on Form 10-K, which can be found on the website at zionsbancorporation.com and applies equally to this document.

Certain financial measures containing descriptive words such as "core" or "adjusted" are subject to GAAP-to-Non-GAAP reconciliation tables, which can be found on page 18.

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Toggle SGML Header (+)

Section 1: 10-K (10-K)

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016

OR

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

COMMISSION FILE NUMBER 001-12307

ZIONS BANCORPORATION

(Exact name of Registrant as specified in its charter)

UTAH	**87-0227400**
(State or other jurisdiction of incorporation or organization)	(Internal Revenue Service Employer Identification Number)
One South Main, 15th Floor Salt Lake City, Utah	**84133**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 844-7637

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, without par value	The NASDAQ Stock Market LLC
Warrants to Purchase Common Stock (expiring May 22, 2020)	The NASDAQ Stock Market LLC
Warrants to Purchase Common Stock (expiring November 14, 2018)	The NASDAQ Stock Market LLC
Depositary Shares each representing a 1/40th ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series F 7.9% Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series G Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depositary Shares each representing a 1/40th ownership interest in a share of Series H 5.75% Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
6.95% Fixed-to-Floating Rate Subordinated Notes due September 15, 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Aggregate Market Value of Common Stock Held by Non-affiliates at June 30, 2016	$8,648,868,202
Number of Common Shares Outstanding at February 13, 2017	202,422,704 shares

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

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PART I

FORWARD-LOOKING INFORMATION

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

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

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

- the Company's ability to successfully execute its business plans, manage its risks, and achieve its objectives, including its restructuring and efficiency initiatives and its capital plan;
- changes in local, national and international political and economic conditions and increased political uncertainty, including without limitation the possibility of substantial changes to tax, international trade, immigration and other policies in the United States and Europe, the political and economic effects of the recent economic crisis, continued sluggish recovery from that crisis, economic and fiscal imbalances in the United States and other countries, potential or actual downgrades in ratings of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial and commodity market prices and conditions, either internationally, nationally or locally in areas in which the Company conducts its operations, including without limitation rates of business formation and growth, commercial and residential real estate development, real estate prices, and oil and gas-related commodity prices;
- changes in markets for equity, fixed income, commercial paper and other securities, including availability, market liquidity levels, and pricing, including the actual amount and duration of declines in the price of oil and gas;
- any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets due to adverse changes in the economic environment, declining operations of the reporting unit, or other factors;
- changes in markets for debt, equity, and securities, including availability, market liquidity levels, and pricing;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- acquisitions and integration of acquired businesses;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the OCC, the Board of Governors of the Federal Reserve Board System, the FDIC, the SEC, and the CFPB, and uncertainty about the timing and scope of any such changes;
- the impact of executive compensation rules under the Dodd-Frank Act and banking regulations which may impact the ability of the Company and other American financial institutions to retain and recruit executives and other personnel necessary for their businesses and competitiveness;

- the impact of the Dodd-Frank Act and Basel III, and rules and regulations thereunder, on our required regulatory capital and liquidity levels, governmental assessments on us (including, but not limited to, the FRB reviews of our annual capital plan), the scope of business activities in which we may engage, the manner in which we engage in such activities, the fees we may charge for certain products and services, and other matters affected by the Dodd-Frank Act and these international standards;
- continuing consolidation in the financial services industry;
- new legal claims against the Company, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;
- success in gaining regulatory approvals, when required;
- changes in consumer spending and savings habits;
- increased competitive challenges and expanding product and pricing pressures among financial institutions;
- inflation and deflation;
- technological changes and the Company’s implementation of new technologies;
- the Company’s ability to develop and maintain secure and reliable information technology systems;
- legislation or regulatory changes which adversely affect the Company’s operations or business;
- the Company’s ability to comply with applicable laws and regulations;
- changes in accounting policies or procedures as may be required by the FASB or regulatory agencies; and
- costs of deposit insurance and changes with respect to FDIC insurance coverage levels.

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

AVAILABILITY OF INFORMATION

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

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACL	Allowance for Credit Losses	CET1	Common Equity Tier 1 (Basel III)
AFS	Available-for-Sale	CFPB	Consumer Financial Protection Bureau
ALCO	Asset/Liability Committee	CLTV	Combined Loan-to-Value Ratio
ALLL	Allowance for Loan and Lease Losses	CMC	Capital Management Committee
Amegy	Amegy Bank, a division of ZB, N.A.	COSO	Committee of Sponsoring Organizations of the Treadway Commission
AOCI	Accumulated Other Comprehensive Income	CRA	Community Reinvestment Act
ASC	Accounting Standards Codification	CRE	Commercial Real Estate
ASU	Accounting Standards Update	CSA	Credit Support Annex
ATM	Automated Teller Machine	CSV	Cash Surrender Value
BHC Act	Bank Holding Company Act	DFAST	Dodd-Frank Act Stress Test
BOLI	Bank-Owned Life Insurance	Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
bps	basis points	DTA	Deferred Tax Asset
CB&T	California Bank & Trust, a division of ZB, N.A.	EITF	Emerging Issues Task Force
CCAR	Comprehensive Capital Analysis and Review	ERM	Enterprise Risk Management
CDO	Collateralized Debt Obligation	ERMC	Enterprise Risk Management Committee

EVE	Economic Value of Equity at Risk	NYMEX	New York Mercantile Exchange
FAMC	Federal Agricultural Mortgage Corporation, or “Farmer Mac”	OCC	Office of the Comptroller of the Currency
FASB	Financial Accounting Standards Board	OCI	Other Comprehensive Income
FDIC	Federal Deposit Insurance Corporation	OREO	Other Real Estate Owned
FDICIA	Federal Deposit Insurance Corporation Improvement Act	OTTI	Other-Than-Temporary Impairment
FHLB	Federal Home Loan Bank	Parent	Zions Bancorporation
FINRA	Financial Industry Regulatory Authority	PCAOB	Public Company Accounting Oversight Board
FRB	Federal Reserve Board	PCI	Purchased Credit-Impaired
FTE	Full-time Equivalent	PEI	Private Equity Investment
FTP	Funds Transfer Pricing	PPNR	Pre-provision Net Revenue
GAAP	Generally Accepted Accounting Principles	ROC	Risk Oversight Committee
GLB Act	Gramm-Leach-Bliley Act	RSF	Required Stable Funding
GNMA	Government National Mortgage Association, or “Ginnie Mae”	RSU	Restricted Stock Unit
HECL	Home Equity Credit Line	RULC	Reserve for Unfunded Lending Commitments
HQLA	High-Quality Liquid Assets	S&P	Standard and Poor's
HTM	Held-to-Maturity	SBA	Small Business Administration
LCR	Liquidity Coverage Ratio	SBIC	Small Business Investment Company
LGD	Loss Given Default	SEC	Securities and Exchange Commission
LIBOR	London Interbank Offered Rate	SNC	Shared National Credit
LNC	large and noncomplex	TCBO	The Commerce Bank of Oregon, a division of ZB, N.A.
MD&A	Management’s Discussion and Analysis	TCBW	The Commerce Bank of Washington, a division of ZB, N.A.
NASDAQ	National Association of Securities Dealers Automated Quotations	TDR	Troubled Debt Restructuring
NAV	Net Asset Value	Vectra	Vectra Bank Colorado, a division of ZB, N.A.
NBAZ	National Bank of Arizona, a division of ZB, N.A.	VIE	Variable Interest Entity
NIM	Net Interest Margin	ZB, N.A.	ZB, National Association
NSB	Nevada State Bank, a division of ZB, N.A.	Zions Bank	Zions Bank, a division of ZB, N.A.
NSFR	Net Stable Funding Ratio	ZMSC	Zions Management Services Company

ITEM 1. BUSINESS

DESCRIPTION OF BUSINESS

Zions Bancorporation (“the Parent”) is a financial holding company organized under the laws of the State of Utah in 1955, and registered under the BHC Act, as amended. The Parent owns and operates a commercial bank with a total of 436 branches at year-end 2016. The Parent and its subsidiaries (collectively “the Company”) provide a full range of banking and related services, primarily in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. The Company conducts its banking operations through seven separately managed and branded segments, which we sometimes refer to as “affiliates” or by reference to their respective brands. Full-time equivalent (“FTE”) employees totaled 10,057 at December 31, 2016. For further information about the Company’s industry segments, see “Business Segment Results” on page 45 in MD&A and Note 21 of the Notes to Consolidated Financial Statements. For information about the Company’s foreign operations, see “Foreign Exposure and Operations” on page 52 in MD&A. The “Executive Summary” on page 31 in MD&A provides further information about the Company.

PRODUCTS AND SERVICES

The Company focuses on providing community banking services by continuously strengthening its core business lines of (1) small and medium-sized business and corporate banking; (2) commercial and residential development,

construction and term lending; (3) retail banking; (4) treasury cash management and related products and services; (5) residential mortgage servicing and lending; (6) trust and wealth management; (7) limited capital markets activities, including municipal finance advisory and underwriting; and (8) investment activities. It operates primarily through seven locally managed segments that each do business under a different name. Each of these affiliated banking operations has its own chief executive officer and management team.

The Company provides a wide variety of commercial and retail banking and mortgage lending products and services. It also provides a wide range of personal banking services to individuals, including home mortgages, bankcard, other installment loans, home equity lines of credit, checking accounts, savings accounts, certificates of deposit of various types and maturities, trust services, safe deposit facilities, direct deposit, and Internet and mobile banking. In addition, the Company provides services to key market segments through its Private Client Services and Executive Banking Groups. We offer self-directed brokerage services through Zions Direct and also offer comprehensive and personalized wealth management and investment services.

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

COMPETITION

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

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

SUPERVISION AND REGULATION

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

majority of the rules that have been adopted may be subject to interpretation or clarification, and accordingly, the impact of such regulatory changes cannot be presently determined. Recent political developments, including the change in the executive administration of the United States, have increased uncertainty to the implementation, scope, and timing of regulatory reforms, including those related to the implementation of the Dodd-Frank Act. The Company is committed to both satisfying heightened regulatory expectations and providing attractive shareholder returns. However, given the still-changing regulatory environment and such uncertainty, the results of these efforts cannot yet be known.

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

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

ZB, N.A. is subject to the provisions of the National Bank Act or other statutes governing national banks, as well as the rules and regulations of the Office of the Comptroller of the Currency ("OCC"), the Consumer Financial Protection Bureau ("CFPB"), and the FDIC. It is also subject to examination and supervision by the OCC. In addition, Zions Bancorporation is subject to examination by the Federal Reserve Bank of San Francisco. Some of our nonbank subsidiaries are also subject to regulation by the FRB and other federal and state agencies. These regulatory agencies may exert considerable influence over our activities through their supervisory and examination roles. Our brokerage and investment advisory subsidiaries are regulated by the SEC, Financial Industry Regulatory Authority ("FINRA") and/or state securities regulators.

The Dodd-Frank Act

The most recent financial crisis led to numerous new laws in the United States and internationally for financial institutions. The Dodd-Frank Act, which was enacted in July 2010, is one of the most far reaching legislative actions affecting the financial services industry in decades and significantly restructured the financial regulatory regime in the United States. Implementation of the Dodd-Frank Act and related rulemaking activities continued in 2016.

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

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

Regulations promulgated under the Dodd-Frank Act require us to maintain greater levels of capital and liquid assets than was generally the case before the crisis and limit the forms of capital that we will be able to rely upon for regulatory purposes. In addition, in its supervisory role with respect to our stress testing and capital planning, our

ability to deliver returns to our shareholders through dividends and stock repurchases is subject to prior non-objection by the FRB. The stress-testing and capital-plan processes also could substantially reduce our flexibility to respond to market developments and opportunities in such areas as capital raising and acquisitions.

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

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

The Dodd-Frank Act also created the CFPB, which is responsible for promulgating regulations designed to protect consumers' financial interests and examining large financial institutions for compliance with, and enforcing, those regulations. The Dodd-Frank Act adds prohibitions on unfair, deceptive or abusive acts and practices to the scope of consumer protection regulations overseen and enforced by the CFPB. The Dodd-Frank Act subjected national banks to the possibility of further regulation by restricting the preemption of state laws by federal laws, which had enabled national banks and their subsidiaries to comply with federal regulatory requirements without complying with various state laws. In addition, the Dodd-Frank Act gives greater power to state attorneys general to pursue legal actions against banking organizations for violations of federal law.

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

The Company is subject to the provisions of the Volcker Rule, issued pursuant to the Dodd-Frank Act. The Company had divested of all but $6 million of non-compliant private equity investments ("PEIs"). Such investments also provide for $4 million of potential capital calls, which the Company would fund, as allowed by the Volcker Rule, if and as the capital calls are made until the investments are sold. Nevertheless, because the remaining investments are comprised of funds that are in the later stages of their lifecycle, significant future funding requests are not anticipated. The Company continues to pursue the disposition of all non-compliant PEIs. The FRB has granted a blanket extension of the Volcker Rule compliance date to July 21, 2017. Pursuant to procedures for requesting an extended transition period for illiquid funds outlined in SR 16-18, issued by the FRB on December 9, 2016, the Company applied for an extension for the vast majority of its remaining portfolio of PEIs. If granted, the extended transition period may be for up to five years beyond the compliance date of July 21, 2017 to conform remaining investments.

The Company and other companies subject to the Dodd-Frank Act are subject to a number of requirements regarding the time, manner and form of compensation given to its key executives and other personnel receiving incentive compensation, which are being imposed through the supervisory process as well as published guidance and proposed rules. These restrictions imposed by the Dodd-Frank Act include documentation and governance, deferral, risk balancing, and clawback requirements. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions, or could result in regulatory enforcement actions.

During the second quarter of 2016, the U.S. financial regulators, including the FRB and the SEC, proposed revised
rules on incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets (including Zions). The proposed revised rules would establish general qualitative requirements applicable to all covered entities, additional specific requirements for entities with total consolidated assets of at least $50 billion, such as Zions, and further, more stringent requirements for those with total consolidated assets of at least $250 billion. The general qualitative requirements include: (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage

inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements; and (v) mandating appropriate record-keeping. For larger financial institutions, including Zions, the proposed revised regulations would also introduce very prescriptive requirements relating to the types and percentages, the timing of the realization, and the risk of forfeiture of incentive compensation awarded to "senior executive officers" and "significant risk-takers."

Some aspects of the Dodd-Frank Act continue to be subject to rulemaking, many of the rules that have been adopted may be subject to interpretation or clarification, and accordingly, the impact of such regulatory changes cannot be presently determined.

Capital Standards – Basel Framework

The Basel III capital rules, which effectively replaced the Basel I rules, became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components and other provisions). In 2013, the FRB, FDIC, and OCC published final rules (the "Basel III capital rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company, compared to the Basel I U.S. risk-based capital rules.

The Basel III capital rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III capital rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replaced the risk-weighting approach derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. The Basel III capital rules also implemented the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

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

Under the Basel III capital rules, the minimum capital ratios are as follows:

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

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

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

The Basel III capital rules provided for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets ("DTAs") dependent upon future taxable income, and significant investments in common equity issued by nonconsolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. The application of this part of the rule did not result in any deductions from CET1 for us.

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

Basel III also required additional regulatory capital disclosures to be made that are commonly referred to as "Pillar 3" disclosures. These disclosures require the Company to make prescribed regulatory disclosures on a quarterly basis regarding its capital structure adequacy and risk-weighted assets. The Company began publishing these Pillar 3 disclosures in 2015, and such disclosures are available on the Company's website.

The Company met all capital adequacy requirements under the Basel III capital rules based upon a 2016 phase-in as of December 31, 2016, and believes it would meet all capital adequacy requirements on a fully phased-in basis if such requirements were currently effective.

Capital Planning and Stress Testing

The Company is required by the Dodd-Frank Act to participate in annual stress tests known as the Dodd-Frank Act Stress Test ("DFAST") and FRB's Comprehensive Capital Analysis and Review ("CCAR"). The Company submitted its 2016 capital plan and stress test results to the FRB on April 5, 2016. In its capital plan, the Company was required to forecast, under a variety of economic scenarios for nine quarters ending the fourth quarter of 2017, its estimated regulatory capital ratios, including its Tier 1 common ratio associated with the Basel I capital rules, its CET1 ratio under the Basel III capital rules, and its GAAP tangible common equity ratio. On June 29, 2016, we announced that the FRB notified us that it did not object to the capital actions outlined in our 2016 capital plan. The plan included (1) the increase of the quarterly common dividend to $0.08 per share beginning in the third quarter of 2016; (2) up to $180 million in total repurchases of common equity; and (3) up to $144 million in total repurchases of preferred equity.

On June 23, 2016, we filed a Form 8-K presenting the results of the 2016 DFAST. The results of the stress test demonstrated that the Company has sufficient capital to withstand a severe hypothetical economic downturn. Detailed disclosure of the stress test results can also be found on our website. In addition, we submitted on October 5, 2016 our mid-cycle company-run DFAST, based upon the Company's June 30, 2016 financial position. Zions' mid-cycle DFAST results, based on the hypothetical severely adverse scenario, indicate the Company would maintain capital ratios at sufficient levels throughout the nine-quarter forecasting horizon. As discussed in the mid-cycle press release, published November 4, 2016, Zions' hypothetical severely adverse scenario was designed to create a stressful idiosyncratic environment, including a 10% unemployment rate and a 40% decline in commercial property values. During the nine-quarter projection period, the minimum CET1 ratio was 7.8%.

Zions has participated in the annual CCAR/DFAST exercise since 2014. Prior to 2017, the FRB could object to Zions' capital plan on either quantitative or qualitative grounds. On January 30, 2017, the FRB announced a final rule for the 2017 cycle, removing from the qualitative assessment of the exercise those bank holding companies that

have total consolidated assets of at least $50 billion but less than $250 billion, on-balance sheet foreign exposure of less than $10 billion, and nonbank assets of less than $75 billion (referred to as large and noncomplex (“LNC”) firms). However, the FRB may still object to a capital plan based on the results of its quantitative assessment. As an LNC firm, Zions will still be subject to regular supervisory assessments to examine the Company’s capital-planning processes. Our annual capital plan is due by April each year, and the FRB will publish results of its supervisory CCAR review of our capital plan by June 30 of each year.

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

Liquidity

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the United States and internationally, without required formulaic measures. However, in January 2016, Zions became subject to final rules adopted by the FRB and other banking regulators (“Final Liquidity Coverage Ratio requirement (“LCR”) Rule”) implementing a U.S. version of the Basel Committee’s LCR requirement. The LCR is intended to ensure that banks hold sufficient amounts of so-called “high-quality liquid assets” (“HQLA”) to cover the anticipated net cash outflows during a hypothetical acute 30-day stress scenario. Zions is subject to the modified LCR, which is the ratio of an institution’s amount of HQLA (the numerator) over 70% of projected net cash out-flows over the 30-day horizon (the denominator), in each case, as calculated pursuant to the Final LCR Rule. The Final LCR Rule requires institutions subject to the modified LCR to maintain the modified ratio equal to at least 100% in order to satisfy this regulatory requirement. Only specific classes of assets, including U.S. Treasury securities, other U.S. government obligations and agency mortgage-backed securities, qualify under the rule as HQLA, with classes of assets deemed relatively less liquid and/or subject to greater degree of credit risk subject to certain haircuts and caps for purposes of calculating the numerator under the Final LCR Rule. The total net cash outflows amount is determined under the rule by applying certain hypothetical outflow and inflow rates, which reflect certain standardized stressed assumptions, against the balances of the banking organization’s funding sources, obligations, transactions and assets over the 30-day stress period. Inflows that can be included to offset outflows are limited to 75% of outflows (which effectively means that banking organizations must hold HQLA equal to 25% of outflows even if outflows perfectly match inflows over the stress period).

The Basel III framework also included a second standard, referred to as the net stable funding ratio (“NSFR”), which is designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon. In May 2016, the FRB and other federal banking regulators issued a proposed rule that would implement the NSFR for large U.S. banking organizations. Under the proposed rule, the most stringent requirements would apply to bank holding companies with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure, and would require such organizations to maintain a minimum NSFR of 1.0 on an ongoing basis, calculated by dividing the organization’s available stable funding (“ASF”) by its required stable funding (“RSF”). Bank holding companies with less than $250 billion, but more than $50 billion, in total consolidated assets and less than $10 billion in on-balance sheet foreign exposure, such as Zions, would be subject to a modified NSFR requirement which would require such bank holding companies to maintain a minimum NSFR of 0.7 on an ongoing basis. Under the proposed rule, a banking organization’s ASF would be calculated by applying specified standard weightings to its equity and liabilities based on their expected stability over a one-year time horizon and its RSF would be calculated by applying specified standardized weightings to its assets, derivative exposures and commitments based on their liquidity characteristics over the same one-year time horizon. If implemented, the proposed rule would take effect on January 1, 2018.

Financial Privacy and Cyber Security

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is

transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

In October 2016, the federal banking regulators jointly issued an advance notice of proposed rulemaking on enhanced cyber risk management standards that are intended to increase the operational resilience of large and interconnected entities under their supervision. Once established, the enhanced cyber risk management standards would help to reduce the potential impact of a cyber attack or other cyber-related failure on the financial system. The advance notice of proposed rulemaking addresses five categories of cyber standards: (1) cyber risk governance; (2) cyber risk management; (3) internal dependency management; (4) external dependency management; and (5) incident response, cyber resilience, and situational awareness.

Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act (“FDICIA”) requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios. Pursuant to FDICIA, the FDIC promulgated regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Under the prompt corrective action provisions of FDICIA as modified by the Basel III capital rules, an insured depository institution generally will be classified as well-capitalized if it has a CET1 ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10% and a Tier 1 leverage ratio of at least 5%, and an insured depository institution generally will be classified as undercapitalized if its CET1 ratio is under 3%, its total risk-based capital ratio is less than 8%, its Tier 1 risk-based capital ratio is less than 6%, or its Tier 1 leverage ratio is less than 4%. An institution that, based upon its capital levels, is classified as “well-capitalized,” “adequately capitalized,” or “undercapitalized,” may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if a bank is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the federal bank regulator, and the holding company must guarantee the performance of that plan.

Other Regulations

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

- Requirements that the Parent serve as a source of strength for its subsidiary bank. The FRB has a policy that a bank holding company is expected to act as a source of financial and managerial strength to its subsidiary bank and, under appropriate circumstances, to commit resources to support the subsidiary bank. The Dodd-Frank Act codified this policy as a statutory requirement.
- Limitations on dividends payable by subsidiaries. A significant portion of the Parent’s cash, which is used to pay dividends on our common and preferred stock and to pay principal and interest on our debt obligations, is derived from dividends paid to the Parent by its subsidiary bank. These dividends are subject to various legal and regulatory restrictions. See Note 18 of the Notes to Consolidated Financial Statements.
- Limitations on dividends payable to shareholders. The Parent’s ability to pay dividends on both its common and preferred stock may be subject to regulatory restrictions, including the requirement that they be included in a

stress test and capital plan to which the FRB has not objected. See discussion under "Liquidity Management Actions" on page 74.

- Safety and soundness requirements. Federal and state laws require that our banks be operated in a safe and sound manner. We are subject to additional safety and soundness standards prescribed in the FDICIA, including standards related to internal controls, information systems, internal audit, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, as well as other operational and management standards deemed appropriate by the federal banking agencies. The safety and soundness requirements give bank regulatory agencies significant latitude in their supervisory authority over us.
- Requirements for approval of acquisitions and activities and restrictions on other activities. Prior approval of the FRB is required under the BHC Act for a financial holding company to acquire or hold more than a 5% voting interest in any bank, to acquire substantially all the assets of a bank or to merge with another financial or bank holding company. The BHC Act also requires approval for certain nonbanking acquisitions, restricts the activities of bank holding companies that are not financial holding companies to banking, managing or controlling banks and other activities that the FRB has determined to be so closely related to banking as to be a proper incident thereto, and restricts the nonbanking activities of a financial holding company to those that are permitted for financial holding companies or that have been determined by the FRB to be financial in nature, incidental to financial activities, or complementary to a financial activity. Laws and regulations governing national banks contain similar provisions concerning acquisitions and activities.
- Limitations on the amount of loans to a borrower and its affiliates.
- Limitations on transactions with affiliates. The Dodd-Frank Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization.
- Restrictions on the nature and amount of any investments and ability to underwrite certain securities.
- Requirements for opening of branches and the acquisition of other financial entities.
- Fair lending and truth in lending requirements to provide equal access to credit and to protect consumers in credit transactions.
- Broker-dealer and investment advisory regulations. Certain of our subsidiaries are broker-dealers that engage in securities underwriting and other broker-dealer activities. These companies are registered with the SEC and are members of FINRA. Certain other subsidiaries are registered investment advisers under the Investment Advisers Act of 1940, as amended, and as such are supervised by the SEC. They are also subject to various U.S. federal and state laws and regulations. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws.
- Provisions of the GLB Act and other federal and state laws dealing with privacy for nonpublic personal information of individual customers.
- Community Reinvestment Act ("CRA") requirements. The CRA requires banks to help serve the credit needs in their communities, including providing credit to low and moderate income individuals. If our bank subsidiary fails to adequately serve its communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions.
- Anti-money laundering regulations. The Bank Secrecy Act, Title III of the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 ("USA Patriot Act"), and other federal laws require financial institutions to assist U.S. Government agencies in detecting and preventing money laundering and other illegal acts by maintaining policies, procedures and controls designed to detect and report money laundering, terrorist financing, and other suspicious activity.

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

The Company is subject to the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, and other federal and state laws and regulations which address, among other issues, corporate governance, auditing and accounting, executive

compensation, and enhanced and timely disclosure of corporate information. NASDAQ has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

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

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

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

GOVERNMENT MONETARY POLICIES

The earnings and business of the Company are affected not only by general economic conditions, but also by policies adopted by various governmental authorities. The Company is particularly affected by the monetary policies of the FRB, which affect both short-term and long-term interest rates and the national supply of bank credit.

In view of the changing conditions in the economy and the effect of the FRB's monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Company. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

ITEM 1A. RISK FACTORS

The Company's growth strategy is driven by key factors while adhering to defined risk parameters. The key elements of Zions' strategy reflect its prudent risk-taking philosophy. The Company generates revenue by taking prudent and appropriately priced risks. These factors are outlined in the Company's Risk Appetite Framework.

The Company's Board of Directors has established a Risk Oversight Committee of the Board, approved an Enterprise Risk Management Framework, and appointed an Enterprise Risk Management Committee ("ERMC") consisting of senior management to oversee and implement the Framework. The Company's most significant risk exposure has traditionally come from the acceptance of credit risk inherent in prudent extension of credit to relationship customers. In addition to credit risk, these committees also monitor the following risk areas: market and interest rate risks, liquidity risk, strategic/business risk, operational/technology risks, model risk, capital/financial reporting risks, legal/compliance risks (including regulatory risk), and reputational risk as outlined in the Company's risk taxonomy. Additional governance and oversight includes Board-approved policies and management committees with direct focus on these specific risk categories.

Although not comprehensive, the following describes several risk factors which are significant to the Company:

Credit Risk

Credit quality has adversely affected us in the past and may adversely affect us in the future.

Credit risk is one of our most significant risks. If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations declined, this could result in, among other things, deterioration in credit quality and/or reduced demand for credit, including a resultant adverse effect on the income from our loan portfolio, an increase in charge-offs and an increase in the allowance for loan and lease losses ("ALLL").

We have concentrations of risk in our loan portfolio, including loans secured by real estate and oil and gas-related lending, which may have unique risk characteristics that may adversely affect our results. Given the current volatility in oil prices and the potential for oil prices to remain low for an extended period of time, Zions' credit exposure in oil and gas could be adversely impacted.

Concentration or counterparty risk could adversely affect the Company. Concentration risk across our loan and investment portfolios could pose significant additional credit risk to the Company due to exposures which perform in a similar fashion. Counterparty risk could also pose additional credit risk.

We engage in commercial construction and land acquisition and development lending, as well as commercial term lending, primarily in our Western states footprint. The Company, as a whole, has relatively larger concentrations of such lending than many other peer institutions. In addition, we have a concentration in oil and gas-related lending, primarily in Texas. Both commercial real estate ("CRE") and oil and gas-related lending are subject to specific risks, including volatility and potential significant and prolonged declines in collateral-values and activity levels. In addition, our real estate lending is concentrated in the Western states, and values there may behave differently than in other parts of the United States. We may have other unidentified concentrated or correlated risks in our loan portfolio.

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

As a regional bank holding company, the Company provides a full range of banking and related services through its local management teams and unique brands in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. Approximately 84% of the Company's total net interest income for the year ended December 31, 2016 relate to our banking operations in Utah, Texas, and California. This is compared to 88% of the Company's total net interest income for the year ended December 31, 2015. As a result of this geographic concentration, our financial results depend largely upon economic conditions in these market areas. Accordingly, adverse economic conditions affecting these three states in particular could significantly affect our consolidated operations and financial results. For example, our credit risk could be elevated to the extent that our lending practices in these three states focus on borrowers or groups of borrowers with similar economic characteristics, which are similarly affected by the same adverse economic events. At December 31, 2016, loan balances associated with our banking operations in Utah, Texas, and California comprised 81% of the Company's commercial lending portfolio, 74% of the CRE lending portfolio, and 69% of the consumer lending portfolio.

Loans originated by our banking operations in Utah, Texas, and California are primarily to borrowers in those respective states, with the exception of the National Real Estate group, which co-originates or purchases primarily owner-occupied first-lien CRE loans from financial institutions throughout the country.

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

Adverse economic conditions negatively affect the Company's assets, including its loan and securities portfolios, capital levels, results of operations, and financial condition. The most recent financial crisis resulted in significant regulatory changes that continue to affect the Company. Although economic conditions have improved since the most recent financial crisis, it is possible that economic conditions may weaken or that sluggish economic conditions may continue for a substantial period of time. Economic and fiscal conditions in the United States and other countries may directly or indirectly adversely impact economic and market conditions faced by the Company and its customers. Any sustained weakness or further weakening in economic conditions would adversely affect the

Company. The Company has exposure to oil and gas-related companies that are currently experiencing a prolonged period of low energy prices. For more information regarding the Company's exposure to oil and gas-related companies see "Oil and Gas-Related Exposure" on page 57 of MD&A in this Form 10-K.

Market and Interest Rate Risks

Failure to effectively manage our interest rate risk and prolonged periods of low interest rates could adversely affect us.

Net interest income is the largest component of the Company's revenue. Interest rate risk is managed by the Asset Liability Management Committee, which is appointed by the Company's Board of Directors. Failure to effectively manage our interest rate risk could adversely affect the Company. Factors beyond the Company's control can significantly influence the interest rate environment and increase the Company's risk. These factors include competitive pricing pressures for our loans and deposits, adverse shifts in the mix of deposits and other funding sources, and volatile market interest rates resulting from general economic conditions and the policies of governmental and regulatory agencies, in particular the FRB.

The Company remains in an "asset-sensitive" interest rate risk position, which means that net interest income would be expected to increase if interest rates increase, and to decline if interest rates decrease. Most recently, the FRB raised the target range for federal funds rate from 0.50% to 0.75%, and indicated that it will determine the timing and size of future rate adjustments by assessing realized and expected economic conditions relative to the objectives of maximum employment and 2% inflation.

Financial market participants have recently contemplated the possibility of negative interest rates. With the exception of brief money market disruptions in which some U.S. Treasury bills traded at negative rates, the U.S. has not previously experienced a negative rate environment, although other developed economies have had prolonged periods of negative rates. Therefore, there are many unknown factors which could impact the Company in a negative rate environment. The ability to effectively charge customers interest on deposits will be determined largely by competition for deposits, but the Company's deposit systems may require modification to allow for negative deposit rates. Asset allocation strategies would be reconsidered were the FRB to charge for excess reserves.

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

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

Liquidity Risk

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

We are a bank holding company and, as such, we and our subsidiary bank are subject to the comprehensive, consolidated supervision and regulation of the FRB, the OCC and the FDIC, including risk-based and leverage capital ratio requirements, and Basel III liquidity requirements. Capital needs may rise above normal levels when

we experience deteriorating earnings and credit quality, and our banking regulators may increase our capital requirements based on general economic conditions and our particular condition, risk profile and growth plans. In addition, we may be required to increase our capital levels even in the absence of actual adverse economic conditions or forecasts as a result of stress testing and capital planning based on hypothetical future adverse economic scenarios. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect our ability to expand or maintain present business levels. For a summary of the capital rules to which we are subject, see "Capital Standards – Basel Framework" on page 9 of this Annual Report on Form 10-K.

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

The Company is subject to liquidity regulations, including a requirement that it conduct monthly liquidity stress tests that require it to maintain a modified LCR of at least 100%. The Company's calculation of the modified LCR indicates that the Company is in compliance with the requirement. Such stress testing is subject to ongoing model and assumptions changes which could affect results.

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

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

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

Strategic/Business Risks

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

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

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

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

We have made and are continuing to make significant changes to the Company that include, among other things, the combination of certain of our subsidiary companies into a single entity, other organizational restructurings, efficiency initiatives, and replacement or upgrades of certain core technological systems to improve our control environment, operating efficiency, and results of operations. The ultimate success and completion of these

changes, and their effect on the Company, may vary significantly from initial planning, which could materially adversely affect the Company.

During 2013, our Board of Directors approved a significant investment by us to replace our loan and deposit systems and to upgrade our accounting systems. The new integrated system for most of our loans and deposits is expected to employ technology that is a significant improvement over our current systems. These initiatives will be completed in phases to allow for appropriate testing and implementation so as to minimize time delays and cost overruns. In December 2015, the Company consolidated its seven subsidiary banks, a subsidiary trust company, and our service company into a single bank. The Company also decided to make other organizational changes such as the realignment of management responsibilities and the rationalization of support functions, including accounting and risk, and back-office operations. Additionally, in June 2015, management announced certain efficiency initiatives to improve operating results and return on equity.

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

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

We have plans, policies and procedures designed to prevent or limit the negative effect of these potential adverse developments. However, there can be no assurance that any such adverse developments will not occur or, if they do occur, that they will be adequately remediated. The ultimate effect of any adverse development could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could materially affect the Company, including its control environment, operating efficiency, and results of operations.

Operational/Technology Risks

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

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

We could be adversely affected by failure in our internal controls.

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of the Company. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with complex accounting standards and regulations. These efforts also include the management of controls to mitigate operational risks for programs and processes across the Company.

We could be adversely affected by financial technology advancements and other non-traditional lending and banking sources.

The ability to successfully remain competitive is dependent upon our ability to maintain a critical technological capability and to identify and develop new, value-added products for existing and future customers. Failure to do so could impede our time to market, reduce customer product accessibility, and weaken our competitive position.

We are subject to a variety of system failure and cyber security risks that could adversely affect our business and financial performance.

We rely heavily on communications and information systems to conduct our business. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations. Information security risks for large financial institutions such as Zions have increased significantly in recent years in part because of the proliferation of new technologies, such as Internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of cyber criminals. Any failure, interruption or breach in security of our information systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, misappropriation of funds, and theft, disclosure or misuse of proprietary Company or customer data. While we have significant internal resources, policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate or remediate any information security vulnerabilities. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Model Risk

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

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

Capital/Financial Reporting Risks

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

Under the CCAR, we are required to submit to the FRB each year our capital plan for the applicable planning horizon, along with the results of required stress tests. Each annual capital plan will, among other things, specify our planned capital actions with respect to dividends, preferred stock redemptions, common stock buybacks or issuances, and similar matters and will be subject to the objection or non-objection by the FRB. Moreover, the CCAR process requires us to analyze the pro forma impact on our financial condition of various hypothetical future adverse economic scenarios selected by us and the FRB. We must maintain or raise capital sufficient to meet our risk management and regulatory expectations under such hypothetical scenarios. In connection with the annual CCAR process, we also participate in the DFAST on a semiannual basis. Under DFAST, a standardized strategy for capital actions (dividend payments held constant and other current capital obligations met) is implemented by all

participating banks. As required by the Dodd-Frank Act, we also submit stress tests to the OCC for our subsidiary bank because it has assets in excess of $10 billion. Under both CCAR and DFAST, the FRB uses its proprietary models to analyze the Company's stressed capital position. The severity of the hypothetical scenarios devised by the FRB and OCC and employed in these stress tests is undefined by law or regulation, and is thus subject solely to the discretion of the regulators. The stress-testing and capital-planning processes may, among other things, require us to increase our capital levels, limit our dividends or other capital distributions to shareholders, modify our business strategies, or decrease our exposure to various asset classes.

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

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

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

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

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

Our results of operations depend upon the performance of our subsidiaries.

We are a holding company that conducts substantially all of our operations through our banking subsidiary and other subsidiaries. The Parent receives substantially all of its revenues from dividends from its subsidiaries and primarily from its subsidiary bank. These dividends are a principal source of funds to pay dividends on our common and preferred stock and interest and principal on our debt. We and certain of our subsidiaries experienced periods of unprofitability or reduced profitability during the most recent recession of 2007-2009. The ability of the Company and its subsidiary bank to pay dividends is restricted by regulatory requirements, including profitability and the need to maintain required levels of capital. Lack of profitability or reduced profitability exposes us to the risk that regulators could restrict the ability of our subsidiary bank to pay dividends. It also increases the risk that the Company may have to establish a "valuation allowance" against its net DTA or have that asset disallowed for regulatory capital purposes.

The ability of our subsidiary bank to pay dividends or make other payments to us is also limited by its obligations to maintain sufficient capital and by other general regulatory restrictions on its dividends. If it does not satisfy these regulatory requirements, we may be unable to pay dividends or interest on our indebtedness. The OCC, the primary

regulator of our subsidiary bank, has issued policy statements generally requiring insured banks to pay dividends only out of current earnings. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, which could include the payment of dividends, such authority may take actions requiring that such bank refrain from the practice. Payment of dividends could also be subject to regulatory limitations if a subsidiary bank were to become "under-capitalized" for purposes of the applicable federal regulatory "prompt corrective action" regulations.

The value of our goodwill may decline in the future.

As of December 31, 2016, the Company had $1 billion of goodwill that was allocated to Amegy, CB&T and Zions Bank. If the fair value of a reporting unit is determined to be less than its carrying value, the Company may have to take a charge related to the impairment of its goodwill. Such a charge would occur if the Company were to experience increases in the book value of a reporting unit in excess of the increase in the fair value of equity of a reporting unit. A significant decline in the Company's expected future cash flows, a significant adverse change in the business climate, slower economic growth or a significant and sustained decline in the price of the Company's common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate the Company taking charges in the future related to the impairment of its goodwill. Future regulatory actions could also have a material impact on assessments of the appropriateness of the goodwill carrying value. If the Company was to conclude that a future write-down of its goodwill is necessary, it would record the appropriate charge, which could have a material adverse effect on the Company's results of operations.

The Company may not be able to utilize the significant DTA recorded on its balance sheet.

The Company's balance sheet includes a significant DTA. The largest components of this asset result from additions to our ALLL for purposes of generally accepted accounting principles in excess of loan losses actually taken for tax purposes. Our ability to continue to record this DTA is dependent on the Company's ability to realize its value through net operating loss carrybacks or future projected earnings. Loss of part or all of this asset would adversely impact tangible capital. In addition, inclusion of this asset in determining regulatory capital is subject to certain limitations. Currently, no DTAs are disallowed for regulatory purposes either on a consolidated basis or at the Company's subsidiary bank.

Legal/Compliance Risks

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

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

- affected the levels of capital and liquidity with which the Company must operate and how it plans capital and liquidity levels;
- subjected the Company to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impacted the Company's ability to invest in certain types of entities or engage in certain activities;
- impacted a number of the Company's business strategies;
- required us to incur the cost of developing substantial heightened risk management policies and infrastructure;
- regulated the pricing of certain of our products and services and restricted the revenue that the Company generates from certain businesses;
- subjected the Company to capital-planning actions, including stress testing or similar actions and timing expectations for capital raising;
- subjected the Company to supervision by the CFPB, with very broad rule-making and enforcement authorities;
- granted authority to state agencies to enforce state and federal laws against national banks;

- subjected the Company to new and different litigation and regulatory enforcement risks; and
- limited the manner and amount in which compensation is paid to executive officers and employees generally.

The Company and the entire financial services industry have incurred and will continue to incur substantial personnel, systems, consulting, and other costs in order to comply with new regulations promulgated under the Dodd-Frank Act, particularly with respect to stress testing and risk management. Some aspects of the Dodd-Frank Act continue to be subject to rulemaking, many of the rules that have been adopted will take effect over several additional years, and many of the rules that have been adopted may be subject to interpretation and clarification, and accordingly, the impact of such regulatory changes cannot be presently determined. Individually and collectively, regulations adopted under the Dodd-Frank Act may materially adversely affect the Company's and the financial services industry's business, financial condition (including the Company's ability to compete effectively with less regulated financial services providers), and results of operations.

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

In addition to the Dodd-Frank Act described previously, bank regulatory agencies and international regulatory consultative bodies have proposed or are considering new regulations and requirements, some of which may be imposed without formal promulgation. Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC insurance assessments.

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

Recent political developments, including the change in the executive administration of the United States, could result in substantial changes in tax, international trade, immigration, and other policies. The extent and timing of any such changes are uncertain, as are the potential direct and indirect impacts, whether beneficial or adverse. Regulations and laws may be modified or repealed and new legislation may be enacted that will affect us and our subsidiaries.

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

We could be adversely affected by legal and governmental proceedings.

We are subject to risks associated with legal claims, litigation, and regulatory and other government proceedings. The Company's exposure to these proceedings has increased and may further increase as a result of stresses on customers, counterparties and others arising from the past or current economic environments, new regulations promulgated under recently adopted statutes, the creation of new examination and enforcement bodies, and increasingly aggressive enforcement and legal actions against banking organizations. Any such matters may result in material adverse consequences to our results of operations, financial condition or ability to conduct our business, including adverse judgments, settlements, fines, penalties (including civil money penalties under applicable banking laws), injunctions, restrictions on our business activities or other relief. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. In general, the amounts paid by financial institutions in settlement of proceedings or investigations, including those relating to anti-money laundering matters, have been increasing dramatically. In addition, any enforcement matters could impact our supervisory and CRA ratings, which may restrict or limit our activities.

Reputational Risk

The company is presented with various reputational risk issues that could stem from operational, compliance and legal risks.

A Reputational Risk Council was established to monitor, manage and develop strategies to effectively manage reputational risk which includes, but is not limited to, addressing communication logistics, legal and regulatory issues.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

At December 31, 2016, the Company operated 436 branches, of which 270 are owned and 166 are leased. The Company also leases its headquarters in Salt Lake City, Utah. Other operations facilities are either owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance and taxes. For additional information regarding leases and rental payments, see Note 17 of the Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 17 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "ZION." The last reported sale price of the common stock on NASDAQ on February 13, 2017 was $44.08 per share.

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

	2016		2015	
	High	Low	High	Low
1st Quarter	$ 26.91	$ 19.65	$ 28.72	$ 23.72
2nd Quarter	29.46	23.14	33.03	26.20
3rd Quarter	31.35	23.02	33.42	26.42
4th Quarter	44.15	30.07	31.18	26.22

During 2016 we decreased our preferred stock by $119 million, including the purchase of $27 million of our Series I preferred stock, $59 million of our Series J preferred stock, and $33 million of our Series G preferred stock, for an aggregate cash payment of $126 million. The total one-time reduction to net earnings applicable to common shareholders associated with the preferred stock redemption was $9.8 million.

We also commenced our common stock buyback program during 2016 and repurchased 2.89 million shares of common stock outstanding with a fair value of $90 million at an average price of $31.15 per share. During the first quarter of 2017 we repurchased an additional $45 million of common stock at an average price of $42.43 per share, leaving $45 million of buyback capacity remaining in the 2016 capital plan (which spans the timeframe of July 2016 to June 2017).

During 2015, the Company purchased $176 million of its Series I preferred stock pursuant to a cash tender offer.

See Note 13 of the Notes to Consolidated Financial Statements for further information regarding equity transactions during 2015 and 2016.

As of February 13, 2017, there were 4,833 holders of record of the Company's common stock.

EQUITY CAPITAL AND DIVIDENDS

We have 4,400,000 authorized shares of preferred stock without par value and with a liquidation preference of $1,000 per share. As of December 31, 2016, 66,139, 143,750, 138,390, 126,221, 98,555, and 136,368 of preferred shares series A, F, G, H, I, and J respectively, have been issued and are outstanding. In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings available to common shareholders and are paid quarterly or semiannually in arrears. The preferred stock redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. All of the outstanding series of preferred stock are registered with the SEC. In addition, Series A, F, G, and H preferred stock are listed and traded on the New York Stock Exchange. See Note 13 of the Notes to Consolidated Financial Statements for further information regarding the Company's preferred stock.

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

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2016	$ 0.06	$ 0.06	$ 0.08	$ 0.08
2015	0.04	0.06	0.06	0.06

The Company's Board of Directors approved a dividend of $0.08 per common share payable on February 23, 2017 to shareholders of record on February 16, 2017. The Company expects to continue its policy of paying regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, financial condition, and regulatory approvals.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

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

SHARE REPURCHASES

The following schedule summarizes the Company's share repurchases for the fourth quarter of 2016:

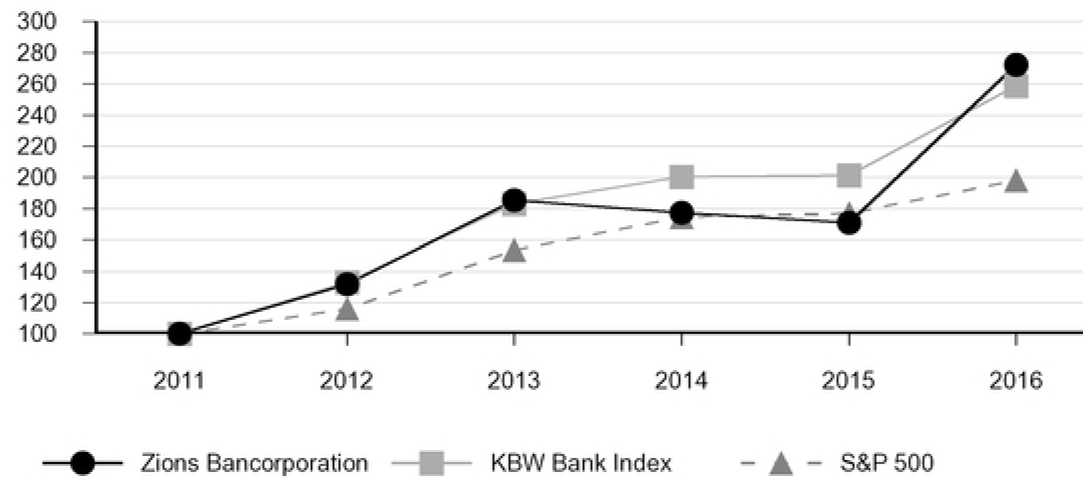
Period	Total number of shares repurchased [1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plan
October	4,138	$ 31.65	—	$ 135,000,533
November	1,431,672	31.73	1,420,146	90,000,549
December	6,160	41.23	—	90,000,549
Fourth quarter	1,441,970	31.78	1,420,146	

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

PERFORMANCE GRAPH

The following stock performance graph compares the five-year cumulative total return of Zions Bancorporation's common stock with the Standard & Poor's 500 Index and the KBW Bank Index, both of which include Zions Bancorporation. The KBW Bank Index is a market capitalization-weighted bank stock index developed and published by Keefe, Bruyette & Woods, Inc., a nationally recognized brokerage and investment banking firm specializing in bank stocks. The index is composed of 24 geographically diverse stocks representing national money center banks and leading regional financial institutions. The stock performance graph is based upon an initial investment of $100 on December 31, 2011 and assumes reinvestment of dividends.

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



	2011	2012	2013	2014	2015	2016
Zions Bancorporation	100.0	131.7	185.3	177.3	171.0	272.3
KBW Bank Index	100.0	133.0	183.3	200.4	201.4	258.8
S&P 500	100.0	116.0	153.5	174.5	176.9	198.1

ITEM 6. SELECTED FINANCIAL DATA

FINANCIAL HIGHLIGHTS

(Dollar amounts in millions, except per share amounts)	2016/2015 Change	2016	2015	2014	2013	2012
For the Year						
Net interest income	+9 %	$ 1,867.4	$ 1,715.3	$ 1,680.0	$ 1,696.3	$ 1,731.9
Noninterest income	+44 %	515.6	357.2	492.7	326.9	411.5
Total revenue	+15 %	2,383.0	2,072.5	2,172.7	2,023.2	2,143.4
Provision for loan losses	+132 %	92.8	40.0	(98.1)	(87.1)	14.2
Noninterest expense	— %	1,585.3	1,580.6	1,649.4	1,703.9	1,586.7
Impairment loss on goodwill	— %	—	—	—	—	1.0
Income before income taxes	+56 %	704.9	451.9	621.4	406.4	541.6
Income taxes	+66 %	235.9	142.4	222.9	142.9	193.4
Net income	+52 %	469.0	309.5	398.5	263.5	348.2
Net loss applicable to noncontrolling interests	— %	—	—	—	(0.3)	(1.3)
Net income applicable to controlling interest	+52 %	469.0	309.5	398.5	263.8	349.5
Net earnings applicable to common shareholders	+67 %	411.3	246.6	326.6	294.0	178.6
Per Common Share						
Net earnings – diluted	+67 %	2.00	1.20	1.68	1.58	0.97
Net earnings – basic	+66 %	1.99	1.20	1.68	1.58	0.97
Dividends declared	+27 %	0.28	0.22	0.16	0.13	0.04
Book value [1]	+4 %	34.10	32.67	31.35	29.57	26.73
Market price – end		43.04	27.30	28.51	29.96	21.40
Market price – high		44.15	33.42	33.33	31.40	22.81
Market price – low		19.65	23.72	25.02	21.56	16.40
At Year-End						
Assets	+6 %	63,239	59,665	57,203	56,021	55,499
Net loans and leases	+5 %	42,649	40,650	40,064	39,043	37,670
Deposits	+6 %	53,236	50,374	47,848	46,363	46,134
Long-term debt	-34 %	535	812	1,086	2,263	2,324
Shareholders' equity:						
Preferred equity	-14 %	710	829	1,004	1,004	1,128
Common equity	+4 %	6,925	6,679	6,366	5,461	4,924
Noncontrolling interests	— %	—	—	—	—	(3)
Performance Ratios						
Return on average assets		0.78%	0.53%	0.71%	0.48%	0.66%
Return on average common equity		5.95%	3.75%	5.42%	5.73%	3.76%
Tangible return on average tangible common equity		7.07%	4.55%	6.70%	7.44%	5.18%
Net interest margin		3.37%	3.19%	3.26%	3.36%	3.57%
Capital Ratios [1]						
Equity to assets		12.07%	12.58%	12.88%	11.54%	10.90%
Common equity tier 1 (Basel III), tier 1 common (Basel I) [2]		12.07%	12.22%	11.92%	10.18%	9.80%
Tier 1 leverage [2]		11.09%	11.26%	11.82%	10.48%	10.96%
Tier 1 risk-based capital [2]		13.49%	14.08%	14.47%	12.77%	13.38%
Total risk-based capital [2]		15.24%	16.12%	16.27%	14.67%	15.05%
Tangible common equity		9.49%	9.63%	9.48%	8.02%	7.09%
Tangible equity		10.63%	11.05%	11.27%	9.85%	9.15%
Selected Information						
Average common and common-equivalent shares *(in thousands)*		204,269	203,698	192,789	184,297	183,236
Common dividend payout ratio		14.04%	18.30%	9.56%	8.20%	4.14%
Full-time equivalent employees		10,057	10,200	10,462	10,452	10,368
Commercial banking offices		436	450	460	469	480

[1] *At year-end.*

[2] *For 2016 and 2015, ratios are based on Basel III. For years prior to 2015, ratios are based on Basel I.*

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

GAAP to NON-GAAP RECONCILIATIONS

This Form 10-K presents both GAAP and non-GAAP financial measures to provide investors with additional information. The adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are presented in the following schedules. The Company considers these adjustments to be relevant to ongoing operating results and provide a meaningful base for period-to-period and company-to-company comparisons. These non-GAAP financial measures are used by management to assess the performance and financial position of the Company and for presentations of Company performance to investors. The Company further believes that presenting these non-GAAP financial measures will permit investors to assess the performance of the Company on the same basis as that applied by management.

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

The following are the non-GAAP financial measures presented in this Form 10-K and a discussion of why management uses these non-GAAP measures:

Tangible Return on Average Tangible Common Equity – this schedule also includes "Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax" and "Average tangible common equity." Tangible return on average tangible common equity is a non-GAAP financial measure that management believes provides useful information about the Company's use of equity. Management believes the use of ratios that utilize tangible equity provides additional useful information because they present measures of those assets that can generate income.

Tangible Equity Ratio, Tangible Common Equity Ratio, and Tangible Book Value per Common Share – this schedule also includes "Tangible Equity," "Tangible common equity," and "Tangible Assets." Tangible equity ratio, tangible common equity ratio, and tangible book value per common share are non-GAAP financial measures that management believes provides additional useful information about the levels of tangible assets and tangible equity between each other and in relation to outstanding shares of common stock. Management believes the use of ratios that utilize tangible equity provides additional useful information because they present measures of those assets that can generate income.

Efficiency Ratio – this schedule also includes "Adjusted noninterest expense," "Taxable-equivalent net interest income," "Adjusted tax-equivalent revenue," and "Adjusted pre-provision net revenue ("PPNR")." The methodology of determining the efficiency ratio may differ among companies. Management makes adjustments to exclude certain items as identified in the subsequent schedule which management believes allows for more consistent comparability among periods. Management believes the efficiency ratio provides useful information regarding the cost of generating revenue. Adjusted noninterest expense provides a measure as to how well the Company is managing its expenses, and adjusted PPNR enables management and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle. Taxable-equivalent net interest income allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources. The efficiency ratio and adjusted noninterest expense are the key metrics to which the Company announced it would hold itself accountable in its June 1, 2015 efficiency initiative, and to which executive compensation is tied. We show the efficiency ratio for six-month periods, in addition to other periods, in order to illustrate the trend over time as quarterly fluctuations may not be reflective of the prevailing trend and yearly results may not accurately reflect the pace of change.

Schedule 1
TANGIBLE RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP) – ANNUAL

(In millions)		Year Ended December 31, 2016	2015	2014
Net earnings applicable to common shareholders (GAAP)		$ 411.3	$ 246.6	$ 326.6
Adjustments, net of tax:				
Amortization of core deposit and other intangibles		4.9	5.9	6.9
Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax (non-GAAP)	(a)	$ 416.2	$ 252.5	$ 333.5
Average common equity (GAAP)		$ 6,914	$ 6,581	$ 6,024
Average goodwill		(1,014)	(1,014)	(1,014)
Average core deposit and other intangibles		(13)	(21)	(31)
Average tangible common equity (non-GAAP)	(b)	$ 5,887	$ 5,546	$ 4,979
Tangible return on average tangible common equity (non-GAAP)	(a/b)	7.07%	4.55%	6.70%

Schedule 2
TANGIBLE RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP) – QUARTERLY

		Three Months Ended		
(In millions)		December 31, 2016	September 30, 2016	December 31, 2015
Net earnings applicable to common shareholders (GAAP)		$ 125.0	$ 116.9	$ 88.2
Adjustments, net of tax:				
Amortization of core deposit and other intangibles		1.2	1.2	1.4
Net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax (non-GAAP)	(a)	$ 126.2	$ 118.1	$ 89.6
Average common equity (GAAP)		$ 6,999	$ 6,986	$ 6,766
Average goodwill		(1,014)	(1,014)	(1,014)
Average core deposit and other intangibles		(10)	(11)	(18)
Average tangible common equity (non-GAAP)	(b)	$ 5,975	$ 5,961	$ 5,734
Number of days in quarter	(c)	92	92	92
Number of days in year	(d)	366	366	365
Tangible return on average tangible common equity (non-GAAP)	(a/b/c*d)	8.40%	7.88%	6.20%

Schedule 3
TANGIBLE EQUITY (NON-GAAP) AND TANGIBLE COMMON EQUITY (NON-GAAP)

(In millions)		December 31, 2016	2015	2014
Total shareholders' equity (GAAP)		$ 7,634	$ 7,507	$ 7,370
Goodwill		(1,014)	(1,014)	(1,014)
Core deposit and other intangibles		(8)	(16)	(26)
Tangible equity (non-GAAP)	(a)	6,612	6,477	6,330
Preferred stock		(710)	(829)	(1,004)
Tangible common equity (non-GAAP)	(b)	$ 5,902	$ 5,648	$ 5,326
Total assets (GAAP)		$ 63,239	$ 59,665	$ 57,203
Goodwill		(1,014)	(1,014)	(1,014)
Core deposit and other intangibles		(8)	(16)	(26)
Tangible assets (non-GAAP)	(c)	$ 62,217	$ 58,635	$ 56,163
Common shares outstanding	(d)	203	204	203
Tangible equity ratio	(a/c)	10.63%	11.05%	11.27%
Tangible common equity ratio	(b/c)	9.49%	9.63%	9.48%
Tangible book value per common share	(b/d)	$29.06	$27.63	$26.23

Schedule 4
EFFICIENCY RATIO

(In thousands)		Six Months Ended		Twelve Months Ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Noninterest expense (GAAP)[1]	(a)	$ 807,807	$ 788,633	$ 1,585,274	$ 1,580,607
Adjustments:					
Severance costs		977	7,045	4,649	11,005
Other real estate expense, net		259	(576)	(1,597)	(647)
Provision for unfunded lending commitments		131	(5,123)	(9,927)	(6,238)
Debt extinguishment cost		—	135	353	2,530
Amortization of core deposit and other intangibles		3,860	4,571	7,853	9,247
Restructuring costs		3,639	2,407	4,682	3,852
Total adjustments	(b)	8,866	8,459	6,013	19,749
Adjusted noninterest expense (non-GAAP)	(a-b)=(c)	$ 798,941	$ 780,174	$ 1,579,261	$ 1,560,858
Net interest income (GAAP)	(d)	$ 949,657	$ 874,210	$ 1,867,348	$ 1,715,260
Fully taxable-equivalent adjustments	(e)	13,865	9,352	25,329	17,898
Taxable-equivalent net interest income (non-GAAP)[1]	(d+e)=(f)	963,522	883,562	1,892,677	1,733,158
Noninterest income (GAAP)[2]	(g)	273,131	244,585	515,609	357,241
Combined income	(f+g)=(h)	1,236,653	1,128,147	2,408,286	2,090,399
Adjustments:					
Fair value and nonhedge derivative income (loss)		6,701	(867)	2,206	(111)
Equity securities gains, net		5,009	3,683	7,168	11,875
Fixed income securities gains (losses), net		49	(60)	102	(138,735)
Total adjustments	(i)	11,759	2,756	9,476	(126,971)
Adjusted taxable-equivalent revenue (non-GAAP)	(h-i)=(j)	$ 1,224,894	$ 1,125,391	$ 2,398,810	$ 2,217,370
Pre-provision net revenue (PPNR) as reported	(h)-(a)	$ 428,846	$ 339,514	$ 823,012	$ 509,792
Adjusted PPNR (non-GAAP)	(j-c)	425,953	345,217	819,549	656,512
Efficiency ratio (non-GAAP)	(c/j)	65.2%	69.3%	65.8%	70.4%

[1]*These adjustments are made for investments and loans that are tax-exempt in order to provide comparability of revenue to taxable investments.*

[2]*In the first quarter of 2016, to be consistent with industry practice, the Company reclassified its bankcard rewards expense from "Other" noninterest expense to "Other service charges, commissions and fees" in noninterest income in order to offset this expense against the associated revenue. Prior period amounts have been reclassified to reflect this change.*

Company Overview

Zions Bancorporation ("the Parent") and its subsidiaries (collectively "the Company," "Zions," "we," "our," "us") together comprise a $63 billion financial holding company headquartered in Salt Lake City, Utah. The Company is considered a "systemically important financial institution" under the Dodd-Frank Act.

- As of December 31, 2016, the Company was the 19th largest domestic bank holding company in terms of deposits and is included in the Standard and Poor's ("S&P") 500 and NASDAQ Financial 100 indices.
- At December 31, 2016, the Company had banking operations through 436 domestic branches in eleven Western and Southwestern states. Additionally, the Company currently has, and continues to develop both online and mobile digital capabilities that create the experience and functionality its customers prefer. Revenues and profits are primarily derived from commercial customers and the Company also emphasizes mortgage banking, wealth management and brokerage services.
- The long-term strategy of the Company is driven by four key factors:
  - We focus our banking business in geographies representing growth markets in the Western United States.

  - We strive to maintain a local community bank-like approach for customer-facing elements of our business by giving a significant degree of autonomy in product offerings and pricing to our regional management teams. Management believes this provides a meaningful competitive advantage over larger national banks whose loan and deposit products are often homogeneous.
  - Relative to smaller community banks, we believe the Company generally achieves greater economies of scale and stronger risk management. We believe that scale gives us superior access to capital markets, more robust treasury management and other product capabilities than smaller community banks.
  - We centralize or oversee centrally many non-customer-facing operations, such as risk and capital management, and technology and back-office operations.
- During 2016, we took further significant actions to positively improve the Company's risk profile, including purchasing HQLA securities, reducing long-term debt and preferred stock, and reducing our oil and gas-related credit exposure. We also took actions to increase the return on and of capital to shareholders including increasing the common dividend from $0.06 per share per quarter to $0.08 per share per quarter, and commencing a stock buyback program that resulted in repurchases of $90 million of common stock during 2016.
- In December 2015, the Company consolidated its various banking charters into a single charter in order to simplify the corporate structure and remove associated costs; however, we continue to emphasize our locally-oriented leadership structure and the power of our strong local brands in each market we serve.
- The Company's various measures of capital and liquidity generally rank within the top quartile of regional bank peers.

RESULTS OF OPERATIONS

Executive Summary

The Company reported net earnings applicable to common shareholders for 2016 of $411.3 million or $1.99 per diluted common share compared with $246.6 million or $1.20 per diluted common share for 2015. The improved financial performance reflects revenue growth and tight expense control. Net income increased in 2016 primarily due to a $136.8 million pre-tax loss recognized from the 2015 sale of the Company's remaining collateralized debt ("CDO") portfolio, as the Company sold these non-core assets. This increase was partially offset by a $52.7 million, or 132%, increase in the provision for loan losses during 2016. Adjusting for the loss on the CDO portfolio, net earnings applicable to common shareholders increased by approximately $80 million in 2016 compared with 2015. The increase was driven by higher net interest income due to the Company's redeployment of funds from lower-yielding money market investments into higher-yielding loans and agency securities coupled with a decrease in interest paid on long-term debt. Additionally, other service charges, commissions and fees increased by $20.8 million, or 11.1%, in 2016. These increases improved the Company's operating leverage. Pre-provision net revenue ("PPNR") as reported was $823.0 million in 2016, up 61.4% from $509.8 million in 2015; and adjusted PPNR was $819.5 million, up 24.8% from $656.5 million in 2015. See "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding the calculation of adjusted PPNR and why management uses this non-GAAP measure.

Performance Against Previously Announced Initiatives

Efficiency Initiatives

In June 2015 we announced some major restructuring changes and several key financial targets. Following are the targeted financial performance outcomes of these organizational changes, and associated operational and technological initiatives, with some brief comments regarding current performance against these measures:

- Achieve an adjusted efficiency ratio in the low 60s by fiscal year 2017, driven by expense and revenue initiatives detailed below; the announced target assumes a slight increase in interest rates. Our adjusted efficiency ratio for the last six months of 2016 was 65.2%, a 409 bps improvement over the same prior year period. The full-year 2016 ratio was 65.8%, which met our goal to keep the efficiency ratio under 66% for the year, compared to 70.4% for 2015. We show the efficiency ratio for six-month periods, in addition to other periods, in order to illustrate the trend over time as quarterly fluctuations may not be reflective of the prevailing

trend and yearly results may not accurately reflect the pace of change. Management's incentive compensation is tied to its efficiency initiative and key profitability metrics. Elevated third and fourth quarter noninterest expenses directly resulted in management incentive compensation that was less than planned for those quarters in 2016. As previously communicated, we are committed to achieving an efficiency ratio in the low 60s in 2017. See "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding the calculation of the adjusted efficiency ratio and why management uses this non-GAAP measure.

- Increase returns on tangible common equity to over ten percent. For the fourth quarter of 2016, the tangible return on average tangible common equity was 8.4%, compared with 6.2% for the same prior year period and 7.1% for all of 2016, compared with 4.6% for 2015. This increase demonstrates our commitment to improving profitability, as we continue to work towards achieving our goal within the next few years. See "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding the calculation of the tangible return on average tangible common equity and why management uses this non-GAAP measure.
- Maintain adjusted noninterest expense below $1.58 billion in 2016 (decreased by $20 million from the original $1.6 billion target due to an accounting adjustment made in the first quarter of 2016) and increasing somewhat in 2017; this target excludes those same expense items excluded in arriving at the efficiency ratio (see "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding the calculation of the efficiency ratio). Adjusted noninterest expense was $1,579 million in 2016 and $1,561 million in 2015, meeting our targets for both years.
- Achieve annual gross pretax cost savings of $120 million from operational expense initiatives by fiscal year 2017, which include overhauling technology, consolidating legal charters, and improving operating efficiency across the Company. At year-end 2016, we had achieved approximately 85% of the target, and expect to achieve cost savings in excess of the initial target of $120 million.

Our initiatives are designed to make the Company a more efficient organization that drives positive operating leverage, simplify the corporate structure and operations, and improve customer experience. The increase in operating leverage is evident through increased revenue from growth in loans, deployment of cash to mortgage-backed securities, improvement in core fee income, and disciplined expense management.

Core Transformation Project Update

We previously announced that we had started a project to replace our core loan and deposit banking systems ("Core Transformation Project"). The timing of the project implementation has been delayed as a result of other corporate initiatives, such as the completion of our banking charter consolidation, centralization of loan operations, and deposit product simplification. We expect to complete the first phase of this three-phase project in mid-2017. As of December 31, 2016, the Company had $93 million of capitalized expenses associated with the Core Transformation Project.

Risk Management Actions in 2016

During 2016, we continued to make significant changes to the Company's balance sheet, which contributed to overall changes in its risk profile. The restructuring included the following actions:

- We improved our earning asset mix with the purchase of HQLA securities of $7.0 billion while reducing our asset sensitivity. This boosted current earnings significantly as compared to the alternative of holding the deposits in cash. This action also should improve the Company's revenue stability under stressful economic conditions.
- We reduced long-term debt by $278 million, or 34%, which reduced interest expense, and successfully tendered for $119 million of preferred stock which improved net earnings to common shareholders.
- Oil and gas-related credit exposure was reduced by approximately $900 million, or 19%, during 2016.
- We revised our concentration limits in the CRE portfolio to reduce credit risk across geographies, while allowing targeted growth opportunities at our affiliates.

Areas Experiencing Strength in 2016

Net interest income, which is more than three-quarters of our revenue, improved by $152.1 million compared with 2015. The increase in net interest income was due to our efforts to change the mix of interest-earning assets from lower-yielding money market investments into higher-yielding loans and investment securities and our efforts to reduce interest expense related to long-term debt. The average investments securities portfolio grew $4.5 billion compared with 2015, which resulted in an increase of $85.2 million in taxable equivalent interest income over the same period. We also incurred $32.1 million less in interest expense on long-term debt due to $278 million of redemptions at maturity and the early calls of our remaining trust preferred securities.

Some of the same factors that led to an increase in net interest income also helped improve net interest margin (“NIM”) between 2016 and 2015, which was 3.37% and 3.19% respectively. The year-end increase in the federal funds target rate occurred too late to impact the NIM in 2016, but we expect to benefit from this increase in 2017.

Adjusted PPNR of $819.5 million in 2016 was up $163.0 million from 2015. This increase reflects operating leverage improvement resulting from loan growth, a more profitable earning assets mix, and controlled core operating expenses. PPNR improvements during 2016 have driven an improvement in the Company’s efficiency ratio from 70.4% in 2015 to 65.8% in 2016.

Noninterest income from customer-related fees increased approximately 7% in 2016 from the prior year period, in response to increased Company efforts to provide additional value and services to our customers. This increase was mainly due to increased credit card transaction volume, fees generated on sales of swaps to clients used to hedge interest rate risk, and trust and wealth management income.

We successfully completed a tender offer for preferred stock, reducing preferred equity by $119 million. Our 2016 capital plan, which runs through the second quarter of 2017, allows for additional redemptions of up to $144 million of our preferred stock through the second quarter of 2017.

Areas Experiencing Challenges in 2016

Net loans and leases increased $2.0 billion or 4.9% during 2016, driven largely by increases of $808 million in CRE term and $509 million in consumer 1-4 family residential loans. Loan growth was strong for the first half of 2016, and although loan production continued during the second half of 2016, increased amounts of paydowns and prepayments resulted in a net increase of only $148 million, or an annualized 0.7% growth rate for the second half of 2016. Loan growth was also partially offset by the continued reduction in our National Real Estate loan portfolio, which declined by $335 million during 2016, and a decline of $464 million in our oil and gas-related loan balances during 2016.

Credit quality in our total loan portfolio was generally strong. As expected, however, the credit quality of our oil and gas-related portfolio deteriorated throughout most of the year. In the oil and gas-related portfolio, $66 million of loans were not accruing at December 31, 2015, compared with $294 million at December 31, 2016. In the fourth quarter of 2016, several credit metrics improved in the oil and gas-related portfolio, including a decrease in nonaccrual loans of $52 million and a decrease in criticized loans of $152 million. Our total oil and gas-related credit exposure declined to $3.9 billion, a reduction of approximately $900 million, or 19% during 2016. Oil and gas-related loans represented 5% of the total loan portfolio at December 31, 2016.

Areas of Focus for 2017

In 2017, we are focused on the ongoing initiatives related to Company profitability and returns on equity. Major areas of emphasis include the following:

- Achieve positive operating leverage
  - Maintain annual mid-single digit loan growth rates while maintaining strong CRE concentration limits
  - Moderately reduce the Company’s interest rate sensitivity
    - Purchase medium duration securities with limited duration extension risk

- Increase market share in residential mortgage
- Maintain mid-single digit growth rates in customer-related fee income
- Maintain strong expense controls: we expect noninterest expense to increase between 2% and 3% in 2017 as compared to 2016, while continuing to invest substantially in our technology initiatives
- Maintain continued alignment of compensation expense to profitability improvement objectives

- Implement technology upgrade strategies
- Increase the return on and of capital
  - Improvements in operating leverage lead to stronger returns on capital
  - Improvements to risk profile and risk management expected to lead to increasing returns of capital
  - Repurchase up to $180 million of common equity from the beginning of the third quarter of 2016 to the end of the second quarter of 2017
    - Completed $90 million in the second half of 2016 and $45 million in the first quarter of 2017 (as allowed by the CCAR process)
    - Shares repurchased under the 2016 capital plan equaled 3.9 million, or approximately 1.9% of shares outstanding (based upon June 2016 period end shares outstanding)
  - Reduce preferred equity by up to $144 million by the end of the second quarter of 2017
- Execute on our Community Bank Model – doing business on a “local” basis

Schedule 5 presents the key drivers of the Company’s performance during 2016 and 2015.

Schedule 5
KEY DRIVERS OF PERFORMANCE
2016 COMPARED TO 2015

Driver	2016	2015	Change better/(worse)
	(In billions)		
Average net loans and leases	$ 42.1	$ 40.2	5 %
Average money market investments	3.7	8.3	(55)
Average total securities	10.3	5.8	78
Average noninterest-bearing deposits	22.5	21.4	5
Average total deposits	50.6	48.6	4
	(In millions)		
Net interest income	$ 1,867.4	$ 1,715.3	9 %
Provision for loan losses	92.8	40.0	(132)
Noninterest income	515.6	357.2	44
Customer-related fee income [1]	473.5	442.9	7
Noninterest expense	1,585.3	1,580.6	—
Net interest margin	3.37%	3.19%	18 bps
Nonaccrual loans [2]	569	350	(63)%
Ratio of net charge-offs to average loans and leases	0.31%	0.10%	(21) bps
Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned [2]	1.34%	0.87%	(47) bps
Ratio of total allowance for credit losses to net loans and leases outstanding	1.48%	1.68%	20 bps

[1] *Includes the following income statement line items: service charges and fees on deposit accounts, other service charges, commissions and fees, wealth management income, capital markets and foreign exchange, and loan sales and servicing income.*

[2] *Includes loans held for sale.*

Net Interest Income, Margin and Interest Rate Spreads

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Taxable-equivalent net interest income is the largest portion of our revenue. For 2016, taxable-equivalent net interest income was $1,893 million, compared with $1,733 million and $1,696 million, in 2015 and 2014, respectively. The tax rate used for calculating all taxable-equivalent adjustments was 35% for all years presented.

Net interest margin in 2016 vs. 2015

The NIM was 3.37% and 3.19% for 2016 and 2015, respectively. Market trends and competitive pricing have led to generally flat or lower yields across loans and investments in 2016 compared with 2015. These yield adjustments were offset by changes in the Company's asset mix, which in 2016 became less concentrated in lower-yielding money market investments, and more focused on higher-yielding agency securities and loans. Further contributing to the improvement was a decline in the Company's cost of funds, due to higher amounts of noninterest-bearing deposits and tender offers, early calls and maturities of higher-rate debt, including the remaining trust preferred securities.

Our average loan portfolio was $1.9 billion higher during 2016, compared with 2015, although the average interest rate earned on the loan portfolio was 8 bps lower than it was in 2015 due to a continuation of competitive pricing pressure and depressed interest rates. The larger average loan base generated an additional $44.3 million of taxable-equivalent interest income during the year. The largest average growth in 2016 was in the CRE portfolio, which also saw the average yield decline by 22 bps. The decline in loan yields occurred as new loans were originated or existing loans reset or were modified. The steepening of the yield curve that occurred late in 2016 did not have a significant impact on our year-end results, but we do expect to see improvement in yields in 2017 on new originations, modifications, and renewals, and when existing variable-rate loans reset, assuming the rate increases are maintained. See "Interest Rate and Market Risk Management" on page 68 for further information regarding our interest rate sensitivity.

At December 31, 2016 and 2015, the carrying value of our purchased credit-impaired ("PCI") loans from the FDIC was $77 million and $125 million, respectively. The accretion recognized in interest income from these loans was $24.6 million in 2016, compared with $39.8 million in 2015. We expect the interest income from these loans will decrease as these balances continue to decline. See Note 6 of the Notes to Consolidated Financial Statements for additional information.

The average balance of AFS securities for 2016 increased by $4.4 billion or 84.3%, compared with 2015, and the average yield was flat at 1.93%. Average balances of money market investments over the same period declined $4.6 billion, with an average yield during 2016 of 0.59%. The result of the change in asset mix between these two categories of investments improved taxable-equivalent interest income by $82.6 million. During 2016 we continued to purchase U.S. agency pass-through securities in order to alter the mix of our interest-earning assets that began in the second half of 2014.

Average noninterest-bearing demand deposits provided us with low cost funding and comprised 44.4% of average total deposits for 2016, compared to 43.9% for 2015. Average interest-bearing deposit balances increased by 3.2% in 2016 compared with 2015; additionally, the rate paid was flat at 18 bps. Although we consider a wide variety of sources when determining our funding needs, we benefit from access to borrower deposits, particularly noninterest-bearing deposits, that provide us with a low cost of funds and have a positive impact on our NIM. A significant decrease in the amount of noninterest-bearing deposits would likely have a negative impact on our NIM.

The average balance of long-term debt was $313 million lower for 2016 compared with 2015. The reduced balance was the result of tender offers, early calls and maturities. The average interest rate on long-term debt for 2016 decreased by 157 bps compared with 2015. This is due to the maturity of higher cost long-term debt in the latter part of 2015, which had a greater impact on the average rate during 2016. Despite $153 million of long-term debt that will mature in March of 2017, our cost of funding may increase as we continue to increase the size of our balance sheet through the use of wholesale funding, but we do not anticipate that this would have a significantly adverse

effect on the Company's liquidity position. For a summary of the tender offers, early calls and maturities that occurred during 2016 see Note 12 of the Notes to Consolidated Financial Statements. We continue to look for opportunities to manage down the cost of funds. Refer to the "Liquidity Risk Management" section beginning on page 72 for more information.

Net interest margin in 2015 vs. 2014

The NIM was 3.19% and 3.26% for 2015 and 2014, respectively. The decrease resulted primarily from lower yields on loans and reduced interest income from FDIC-supported loans. The impact of these items was partially offset by lower yields and balances on our long-term debt and a change in the mix of interest-earning assets as cash held in money market investments was transitioned to term investment securities.

Even though our average loan portfolio was $649 million higher during 2015, compared to 2014, the average interest rate earned on the loan portfolio was 18 bps lower than it was in 2014. The resulting decline in interest income was primarily caused by reduced interest income on loans purchased from the FDIC in 2009, as those acquired portfolios were successfully managed down, and new loans being originated at lower yields than those that prepaid or matured.

At December 31, 2015 and 2014, the carrying value of our PCI loans from the FDIC was $125 million and $179 million, respectively. The accretion recognized in interest income from these loans was $39.8 million in 2015, compared with $58.4 million in 2014. See Note 6 of the Notes to Consolidated Financial Statements for additional information.

The average balance of available-for-sale ("AFS") securities for 2015 increased by $1.7 billion or 49.2%, compared with 2014, and the average yield in 2015 was 24 bps lower than in 2014. The decline in the average yield and the changes in the average balance are a result of changes in the composition of the AFS portfolio and the yields of the securities sold and purchased. Beginning in the second half of 2014 we started purchasing U.S. agency pass-through securities in order to increase our holdings of HQLA and to alter the mix of our interest-earning assets. These increases were partially offset by CDO sales and paydowns.

Average noninterest-bearing demand deposits provided us with low cost funding and comprised 43.9% of average total deposits for 2015, compared to 42.4% for 2014. Average interest-bearing deposit balances increased by 2.3% in 2015 compared with 2014; additionally, the rate paid declined by 1 bps to 18 bps.

The average balance of long-term debt was $790 million lower for 2015 compared to 2014. The reduced balance was the result of tender offers, early calls and maturities. The average interest rate on long-term debt for 2015 decreased by 8 bps compared to 2014. This is due to the maturity of higher cost long-term debt in the latter part of 2015. On September 15, 2015 and November 16, 2015, respectively, there was $112 million of 6.0% and $124 million of 5.5% subordinated and convertible debt notes that matured. The total effective cost of this debt was approximately 15% during 2015. The higher effective cost for the debt that matured was due to the amortization of debt discount.

During 2015, most of our cash in excess of that needed to fund earning assets was held in money market investments, primarily deposits with the Federal Reserve Bank. Average money market investments were 15.2% of total interest-earning assets, compared with 15.8% in the prior year.

See "Interest Rate and Market Risk Management" on page 68 for further discussion of how we manage the portfolios of interest-earning assets, interest-bearing liabilities, and the associated risk.

Interest rate spreads

The spread on average interest-bearing funds was 3.22% for 2016, and 2.99% for both 2015 and 2014. The spreads on average interest-bearing funds for 2016 and 2015 were affected by the same factors that had an impact on the NIM.

We expect the mix of interest-earning assets to continue to change over the next several quarters due to solid consumer loan growth, accompanied by moderate growth in CRE term loans, and non-oil and gas-related C&I loans. We anticipate this growth will be partially offset by continued reduction in the NRE and oil and gas-related portfolios, which we expect to decline at a slower rate than in 2016.

We are continuing to invest in short-to-medium duration U.S. agency pass-through securities. These investments are reducing the proportion of earning assets in money market investments, and increasing the proportion of AFS securities. We may choose to fund future purchases of these investments without using cash on hand, and such purchases would consequently deliver a reduced spread. Average yields on the loan portfolio may continue to experience modest downward pressure due to competitive pricing and growth in lower-yielding residential mortgages; however, we expect average yields on the loan portfolio to benefit from recent rate rises.

We expect to remain “asset-sensitive” (which refers to net interest income increasing as a result of a rising interest rate environment) with regard to interest rate risk. In response to liquidity management and liquidity stress-testing regulations, which elevate, relative to historic levels, the proportion of HQLA we are required to hold, in the second half of 2014 we began deploying cash into short-to-medium duration U.S. agency pass-through securities. During 2016, we purchased HQLA securities of $7.0 billion at amortized cost, increasing HQLA securities by $5.0 billion after paydowns and payoffs during the year. In the first quarter of 2017, we expect to continue to purchase securities at a similar pace to the purchases in the fourth quarter of 2016, at which point we will be near our targeted balance for the investment securities portfolio. These purchases are expected to somewhat reduce our asset sensitivity compared with previous periods.

Our estimates of the Company’s actual interest rate risk position are highly dependent upon a number of assumptions regarding the repricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. In addition, our modeled projections for noninterest-bearing demand deposits, which are a substantial portion of our deposit balances, are particularly reliant on assumptions for which there is little historical experience due to the prolonged period of very low interest rates. Further detail on interest rate risk is discussed in “Interest Rate Risk” on page 68.

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

Schedule 6
DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY

AVERAGE BALANCE SHEETS, YIELDS AND RATES

(In millions)	2016			2015		
	Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate
ASSETS						
Money market investments	$ 3,664	$ 21.7	0.59%	$ 8,252	$ 23.2	0.28%
Securities:						
Held-to-maturity	675	29.7	4.40	581	29.5	5.08
Available-for-sale	9,546	184.1	1.93	5,181	100.0	1.93
Trading account	83	3.1	3.76	64	2.2	3.46
Total securities	10,304	216.9	2.11	5,826	131.7	2.26
Loans held for sale	140	4.7	3.36	125	4.5	3.61
Loans and leases [2]						
Commercial	21,748	913.0	4.20	21,419	903.2	4.22
Commercial Real Estate	11,131	472.0	4.24	10,178	453.5	4.46
Consumer	9,183	351.3	3.83	8,574	335.3	3.91
Total Loans and leases	42,062	1,736.3	4.13	40,171	1,692.0	4.21
Total interest-earning assets	56,170	1,979.6	3.52	54,374	1,851.4	3.40
Cash and due from banks	675			642		
Allowance for loan losses	(601)			(607)		
Goodwill	1,014			1,014		
Core deposit and other intangibles	13			21		
Other assets	2,779			2,601		
Total assets	$ 60,050			$ 58,045		
LIABILITIES						
Interest-bearing deposits:						
Saving and money market	$ 25,672	37.4	0.15	$ 24,619	38.8	0.16
Time	2,333	11.5	0.49	2,274	9.8	0.43
Foreign	128	0.3	0.28	379	0.7	0.18
Total interest-bearing deposits	28,133	49.2	0.18	27,272	49.3	0.18
Borrowed funds:						
Federal funds purchased and other short-term borrowings	456	1.2	0.27	235	0.4	0.14
Long-term debt	703	36.5	5.18	1,016	68.5	6.75
Total borrowed funds	1,159	37.7	3.25	1,251	68.9	5.48
Total interest-bearing liabilities	29,292	86.9	0.30	28,523	118.2	0.41
Noninterest-bearing deposits	22,462			21,366		
Other liabilities	625			592		
Total liabilities	52,379			50,481		
Shareholders' equity:						
Preferred equity	757			983		
Common equity	6,914			6,581		
Controlling interest shareholders' equity	7,671			7,564		
Noncontrolling interests	—			—		
Total shareholders' equity	7,671			7,564		
Total liabilities and shareholders' equity	$ 60,050			$ 58,045		
Spread on average interest-bearing funds			3.22			2.99
Taxable-equivalent net interest income and net yield on interest-earning assets		$ 1,892.7	3.37		$ 1,733.2	3.19

[1] *Taxable-equivalent rates used where applicable. See "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding taxable-equivalent net interest income.*
[2] *Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.*

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2014			2013			2012		
Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate	Average balance	Amount of interest [1]	Average rate
$ 8,215	$ 21.4	0.26%	$ 8,850	$ 23.4	0.26%	$ 7,931	$ 21.1	0.27%
609	32.1	5.27	762	37.4	4.91	774	42.3	5.47
3,472	75.3	2.17	3,107	72.2	2.32	3,047	94.2	3.09
61	2.0	3.22	32	1.1	3.29	24	0.7	3.13
4,142	109.4	2.64	3,901	110.7	2.84	3,845	137.2	3.57
128	4.6	3.63	147	5.3	3.64	186	6.6	3.53
21,125	922.6	4.37	20,186	940.8	4.66	19,394	991.6	5.11
10,337	483.7	4.68	10,386	556.4	5.36	10,533	575.6	5.47
8,060	327.5	4.06	7,537	320.4	4.25	7,110	325.0	4.57
39,522	1,733.8	4.39	38,109	1,817.6	4.77	37,037	1,892.2	5.11
52,007	1,869.2	3.59	51,007	1,957.0	3.84	48,999	2,057.1	4.20
894			1,014			1,101		
(690)			(830)			(986)		
1,014			1,014			1,015		
31			44			60		
2,626			2,683			3,077		
$ 55,882			$ 54,932			$ 53,266		
$ 23,532	37.0	0.16	$ 22,891	39.8	0.17	$ 22,061	52.3	0.24
2,490	11.5	0.46	2,792	15.8	0.57	3,208	23.1	0.72
642	1.2	0.18	1,662	3.3	0.20	1,493	4.7	0.31
26,664	49.7	0.19	27,345	58.9	0.22	26,762	80.1	0.30
223	0.3	0.11	278	0.3	0.11	499	1.4	0.28
1,803	123.0	6.82	2,264	185.9	8.21	2,221	225.2	10.14
2,026	123.3	6.06	2,542	186.2	7.29	2,720	226.6	8.29
28,690	173.0	0.60	29,887	245.1	0.82	29,482	306.7	1.04
19,610			17,974			16,669		
554			583			604		
48,854			48,444			46,755		
1,004			1,360			1,768		
6,024			5,130			4,745		
7,028			6,490			6,513		
—			(2)			(2)		
7,028			6,488			6,511		
$ 55,882			$ 54,932			$ 53,266		
		2.99			3.02			3.16
	$ 1,696.2	3.26		$ 1,711.9	3.36		$ 1,750.4	3.57

Schedule 7 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

Schedule 7
ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE

	2016 over 2015			2015 over 2014		
	Changes due to			Changes due to		
(In millions)	Volume	Rate[1]	Total changes	Volume	Rate[1]	Total changes
INTEREST-EARNING ASSETS						
Money market investments	$ (12.9)	$ 11.4	$ (1.5)	$ 0.1	$ 1.7	$ 1.8
Securities:						
Held-to-maturity	4.1	(3.9)	0.2	(1.4)	(1.2)	(2.6)
Available-for-sale	84.1	—	84.1	33.0	(8.3)	24.7
Trading account	0.7	0.2	0.9	—	0.2	0.2
Total securities	88.9	(3.7)	85.2	31.6	(9.3)	22.3
Loans held for sale	0.5	(0.3)	0.2	(0.1)	—	(0.1)
Loans and leases[2]						
Commercial	13.4	(3.6)	9.8	11.7	(31.1)	(19.4)
Commercial Real Estate	40.5	(22.0)	18.5	(7.5)	(22.7)	(30.2)
Consumer	22.9	(6.9)	16.0	20.1	(12.3)	7.8
Total loans and leases	76.8	(32.5)	44.3	24.3	(66.1)	(41.8)
Total interest-earning assets	153.3	(25.1)	128.2	55.9	(73.7)	(17.8)
INTEREST-BEARING LIABILITIES						
Interest-bearing deposits:						
Saving and money market	0.5	(1.9)	(1.4)	1.2	0.6	1.8
Time	0.2	1.5	1.7	(0.9)	(0.8)	(1.7)
Foreign	(0.5)	0.1	(0.4)	(0.5)	—	(0.5)
Total interest-bearing deposits	0.2	(0.3)	(0.1)	(0.2)	(0.2)	(0.4)
Borrowed funds:						
Federal funds purchased and other short-term borrowings	0.4	0.4	0.8	—	0.1	0.1
Long-term debt	(16.1)	(15.9)	(32.0)	(53.0)	(1.5)	(54.5)
Total borrowed funds	(15.7)	(15.5)	(31.2)	(53.0)	(1.4)	(54.4)
Total interest-bearing liabilities	(15.5)	(15.8)	(31.3)	(53.2)	(1.6)	(54.8)
Change in taxable-equivalent net interest income	$ 168.8	$ (9.3)	$ 159.5	$ 109.1	$ (72.1)	$ 37.0

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

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

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

Provision for Credit Losses

The provision for credit losses is the combination of both the provision for loan losses and the provision for unfunded lending commitments. The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the ALLL at an adequate level based on the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments ("RULC") at an adequate level based on the inherent risks associated with such commitments. In determining adequate levels of the ALLL and RULC, we perform periodic evaluations of our various loan portfolios, the levels of actual charge-

offs, credit trends, and external factors. See Note 6 of the Notes to Consolidated Financial Statements and "Credit Risk Management" on page 55 for more information on how we determine the appropriate level for the ALLL and the RULC.

The provision for loan losses was $92.8 million in 2016, compared with $40.0 million in 2015. The $52.8 million increase in provision for loan losses during 2016 is due to incurred losses in the oil and gas-related portfolio. Net charge-offs for the total loan portfolio were $131 million in 2016, compared with $39 million in 2015. Only $1 million of 2016 net charge-offs were attributed to loans outside of the oil and gas-related portfolio.

The credit quality for the total loan portfolio experienced some deterioration during 2016. As expected, the credit quality for the oil and gas-related portfolio, which represents 5% of our total loan portfolio, declined during 2016; however, we did experience improvements in credit quality metrics in this portfolio during the fourth quarter of 2016. See "Oil and Gas-Related Exposure" on page 57 and "Nonperforming Assets" on page 64 for more information on the credit quality of our oil and gas-related and total loan portfolios, respectively.

The provision for unfunded lending commitments was $(9.9) million in 2016, compared with $(6.2) million in 2015. The negative provision in 2016 is primarily due to improved credit quality assessments related to these obligations for credits outside the oil and gas-related portfolio along with declining oil and gas-related exposure. From quarter to quarter, the provision for unfunded lending commitments may be subject to sizable fluctuations due to changes in the timing and volume of loan commitments, originations, fundings, and changes in credit quality.

The allowance for credit losses ("ACL"), which is the combination of both the ALLL and the RULC, decreased by $48 million during 2016. Declines in credit quality and increased charge-offs in the oil and gas-related portfolio were more than offset by improvements in the rest of the loan portfolio. Further, declining oil and gas-related exposure and increasing residential real estate and CRE term exposure improved the risk profile of the portfolio.

The net charge-offs experienced in non-oil and gas-related loans (95% of total loans) were only $1 million in 2016. We believe that such levels of net charge-offs are unlikely to persist in future periods, although the level of non-oil and gas-related problem loans is not currently experiencing meaningful deterioration or negative migration. Due to active balance sheet management by our oil and gas-related borrowers and increases in oil and gas prices, the credit quality of this portfolio improved during the fourth quarter of 2016, and we expect oil and gas net charge-offs to decline in 2017, compared with 2016. As a result of the expected increase of net charge-offs in the non-oil and gas-related portfolio and the improvements in the oil and gas-related loan portfolio, we expect the provision for loan losses in 2017 to be consistent with the provision recorded in 2016.

Noninterest Income

Noninterest income represents revenues we earn for products and services that have no associated interest rate or yield. For 2016, noninterest income was $515.6 million compared with $357.2 million in 2015 and $492.7 million in 2014. We believe a subtotal of customer-related fees provides a better view of income over which we have more direct control. It excludes items such as dividends, insurance-related income, mark-to-market adjustments on certain derivatives and securities gains or losses. Customer-related fees increased to $473.5 million from $442.9 million in 2015 and $428.7 million in 2014. The growth of 10.5% in two years is the result of increased focus to better evaluate the needs of customers and provide services that match those needs. In late 2014 and early 2015, we created a Chief Banking Officer position that oversees many of the fee-based businesses, added an executive director of enterprise retail banking for the organization to augment the existing structure of retail banking leaders at each of our affiliates, created a position for the director of fee income strategies, which has substantially enhanced the reporting information systems and accountability of various executives, and overhauled our approach to wealth management with new executives and substantial hiring of wealth advisors.

During 2016, much of the success in the customer-related fee income area is attributable to improved utilization of our cash management services, substantially improved usage of corporate and retail credit and debit cards, increased loan fees due in part to increased loan generation, improved sales of interest rate swaps to customers who are wishing to reduce interest rate risk for their own companies, and solid improvement in wealth management-related income.

Schedule 8 presents a comparison of the major components of noninterest income for the past three years.

Schedule 8
NONINTEREST INCOME

(In millions)	2016	Percent change	2015	Percent change	2014
Service charges and fees on deposit accounts	$ 171.2	1.7%	$ 168.4	0.1%	$ 168.3
Other service charges, commissions and fees	207.7	11.1	186.9	4.9	178.1
Wealth management income	37.4	19.9	31.2	2.0	30.6
Capital markets and foreign exchange	21.7	(15.6)	25.7	13.7	22.6
Loan sales and servicing income	35.5	15.6	30.7	5.5	29.1
Customer-related fees	473.5	6.9	442.9	3.3	428.7
Dividends and other investment income	24.0	(20.3)	30.1	(31.0)	43.6
Fair value and nonhedge derivative income (loss)	2.2	2,300.0	(0.1)	99.1	(11.4)
Equity securities gains, net	7.2	(39.5)	11.9	(11.9)	13.5
Fixed income securities gains (losses), net	0.1	100.1	(138.7)	(1,433.7)	10.4
Other	8.6	(22.5)	11.1	40.5	7.9
Total	$ 515.6	44.3	$ 357.2	(27.5)	$ 492.7

Other service charges, commissions and fees, which are comprised of ATM fees, insurance commissions, bankcard merchant fees, debit and credit card interchange fees, cash management fees, and other miscellaneous fees, increased by $20.8 million compared with 2015. The main increases relate to higher credit card interchange fees, fees generated on sales of interest rate swaps to clients, and exchange and other fees. In 2015, other service charges commissions and fees increased by $8.8 million compared with 2014. The increase was primarily a result of higher interchange fees and fees generated on sales of swaps to clients, partially offset by a decline in loan fees.

During the first quarter of 2016 we reclassified bankcard rewards expense from noninterest expense into noninterest income in order to offset the associated revenue (interchange fees) to align with industry practice. This reclassification within other service charges, commission and fees lowered noninterest income in the first quarter of 2016 (and also decreased other noninterest expense by the same amount). For comparative purposes we also reclassified prior period amounts. This reclassification had no impact on net income.

Wealth management income increased by $6.2 million. Most of the change was due to trust income, with improvement in both corporate and personal trust revenue due to platform and product simplifications. Wealth management income was flat between 2015 and 2014, increasing only $0.6 million or 2.0%.

Dividends and other investment income declined by $6.1 million in 2016 compared with 2015. This was primarily due to consolidating seven banking charters into one. Our stock ownership with the Federal Home Loan Bank ("FHLB") system has consequently decreased significantly since December 31, 2015. We expected a $7 million annual decline in FHLB dividends, though only $5 million in 2016 was realized due to the timing of the stock redemptions. The consolidation also caused an increase in the Company's ownership of Federal Reserve stock; however, lower dividends on this stock created a further decline in dividend income. We expect these lower levels to persist through 2017. In 2015, dividends and other investment income declined by $13.5 million compared with 2014 as a result of write-downs on certain PEIs.

Loan sales and servicing income increased $4.8 million or 15.6% compared with 2015. The main driver for this increase was positive valuation adjustments on certain servicing rights. Loan sales and servicing income increased by $1.6 million, or 5.5%, in 2015 compared with 2014, but was still lower when compared to prior periods as the Company continued to retain more of its residential mortgage loan production than it had done in previous years.

In 2016 we had only $100 thousand of net gains on fixed income securities. Gains in some quarters were offset by losses in others. In 2015 we recorded a fixed income securities loss of $138.7 million compared with a gain of $10.4 million in 2014. During the second quarter of 2015, we sold the remaining portfolio of our CDO securities, or $574

million at amortized cost, and realized net losses of $137 million. The fixed income securities gain of $10.4 million in 2014 was primarily from paydowns and payoffs of the CDO securities.

Noninterest Expense

Noninterest expense increased by $4.7 million or 0.3% to $1,585.3 million in 2016, compared with $1,580.6 million in 2015 and $1,649.4 million in 2014. Expenses were essentially flat due to continued efforts to control expenses, which were partially offset by increased investment into the Company's technology initiatives, increased FDIC premiums, and increased costs in the Company's benefit plans.

Schedule 9 presents a comparison of the major components of noninterest expense for the past three years.

Schedule 9
NONINTEREST EXPENSE

(In millions)	2016	Percent change	2015	Percent change	2014
Salaries and employee benefits	$ 982.5	1.0%	$ 972.7	1.7%	$ 956.4
Occupancy, net	125.3	4.9	119.5	3.3	115.7
Furniture, equipment and software	124.7	1.2	123.2	6.9	115.3
Other real estate expense	(1.6)	(166.7)	(0.6)	50	(1.2)
Credit-related expense	25.7	(9.8)	28.5	1.4	28.1
Provision for unfunded lending commitments	(9.9)	(59.7)	(6.2)	27.9	(8.6)
Professional and legal services	55.1	9.3	50.4	(23.6)	66.0
Advertising	22.1	(12.6)	25.3	0.8	25.1
FDIC premiums	39.7	15.4	34.4	6.8	32.2
Amortization of core deposit and other intangibles	7.8	(16.1)	9.3	(14.7)	10.9
Debt extinguishment cost	0.4	(84.0)	2.5	(94.4)	44.4
Other	213.5	(3.7)	221.6	(16.4)	265.1
Total	$ 1,585.3	0.3	$ 1,580.6	(4.2)	$ 1,649.4

Salaries and employee benefits increased by $9.8 million, or 1.0%, in 2016 compared with 2015, as illustrated in Schedule 10. Base salaries were flat between the years. Although we had over $6 million less in severance expense in 2016, major systems projects led to continued headcount increases in more highly compensated roles than those where reductions have occurred. Bonus expense increased because specific employees met targets in Company approved defined plans, although elevated third and fourth quarter noninterest expenses directly resulted in management incentive compensation that was less than planned for those quarters in 2016. Employee benefits expense increased in 2016 due to higher costs in the Company's self-funded medical plans as well as higher than expected retirement expense due to several large lump-sum payouts during the year. Salaries and employee benefits increased by 1.7% in 2015 compared with 2014 due to similar reasons to those in 2016. Management's incentive compensation is tied to its efficiency initiative and key profitability metrics.

Schedule 10
SALARIES AND EMPLOYEE BENEFITS

(Dollar amounts in millions)	2016	Percent change	2015	Percent change	2014
Salaries and bonuses	$ 831.6	0.4%	$ 828.5	1.8%	$ 814.2
Employee benefits:					
Employee health and insurance	62.0	6.7	58.1	7.8	53.9
Retirement	35.8	7.2	33.4	(4.6)	35.0
Payroll taxes and other	53.1	0.8	52.7	(1.1)	53.3
Total benefits	150.9	4.6	144.2	1.4	142.2
Total salaries and employee benefits	$ 982.5	1.0	$ 972.7	1.7	$ 956.4
Full-time equivalent employees at December 31	10,057	(1.4)	10,200	(2.5)	10,462

Occupancy expense increased $5.8 million, or 4.9% in 2016 compared with 2015. The increase was due to a combination of small items including higher rent expense, lease depreciation, and building security. Occupancy expense increased $3.8 million in 2015, compared with 2014.

FDIC premiums increased by $5.3 million, or 15.4%, in 2016 compared with 2015 due to a higher deposit base and the surcharge introduced by the FDIC in 2016. The FDIC approved a change in deposit insurance assessments due to the Dodd-Frank Act. The increased premiums were effective for the last six months of 2016, though this has been somewhat offset by a reduction in the Company's overall rate resulting from the consolidation of the individual bank charters and attempts to lower the risk profile of the Bank. Premiums increased by $2.2 million, or 6.8%, in 2015 compared with 2014.

Other noninterest expense decreased by $8.1 million in 2016 compared with 2015, and by $43.5 million in 2015 compared with 2014. The change was driven primarily by lower legal expenses and lower write-downs of the FDIC indemnification asset, as the balance of FDIC-supported loans continues to decline. In 2015 the decrease from 2014 was caused by both the FDIC asset changes and an increased amount of insurance recoveries over the prior year. Please refer to our previous discussion in the noninterest income section around bankcard rewards reclassification activities in the first quarter of 2016 for additional explanation of changes in this line item.

In 2016, we held adjusted noninterest expense below $1.58 billion, and we expect an increase of between 2% and 3% in 2017. The expense items we exclude from noninterest expense to arrive at adjusted noninterest expense are the same as those excluded in arriving at the efficiency ratio (see "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding the calculation of the efficiency ratio).

Income Taxes

Income tax expense was $235.9 million in 2016, $142.4 million in 2015, and $223.0 million in 2014. Our effective income tax rates, including the effects of noncontrolling interests, were 33.5% in 2016, 31.5% in 2015, and 35.9% in 2014. The tax expense rates for all tax years were reduced by nontaxable municipal interest income and nontaxable income from certain bank-owned life insurance. Further, the tax rate in 2015 decreased significantly as a result of the Company's investments in alternative energy and technology initiatives. The Company continued to invest in technology initiatives and increased investment in municipal securities during 2016, generating tax credits and nontaxable income that benefited the tax rate.

We had a net DTA balance of $250 million at December 31, 2016, compared with $203 million at December 31, 2015. The increase in the net DTA resulted primarily from items related to fair value adjustments on securities and a decrease in the deferred tax liabilities related to the debt exchange from 2009.

We did not record any additional valuation allowance for GAAP purposes as of December 31, 2016. See Note 14 of the Notes to Consolidated Financial Statements and "Critical Accounting Policies and Significant Estimates" on page 81 for additional information.

Preferred Stock Dividends and Redemption

In 2016 we incurred preferred stock dividends of $48.0 million, a decrease of $14.9 million from 2015. In 2015 we incurred preferred stock dividends of $62.9 million, a decrease of $9.0 million from 2014. We completed a tender offer in the fourth quarter of 2015 to purchase $176 million of our Series I preferred stock. We also completed a tender offer in the second quarter of 2016 to purchase $119 million of preferred stock. As a result of the preferred stock redemption in 2016, preferred dividends are expected to be $10.4 million for the first quarter of 2017 and $12.4 million for the second quarter of 2017. Our preferred stock may decrease further if we redeem $144 million of preferred equity, as authorized by our 2016 capital plan. See further details in Note 13 of the Notes to Consolidated Financial Statements.

BUSINESS SEGMENT RESULTS

Following the close of business on December 31, 2015, we completed the merger of our subsidiary banks with Zions First National Bank. Subsequently, Zions First National Bank changed its legal name to ZB, National Association. We continue to manage our banking operations under our existing brand names and business segments, including Zions Bank, Amegy Bank, California Bank & Trust, National Bank of Arizona, Nevada State Bank, Vectra Bank Colorado, and The Commerce Bank of Washington. Performance assessment and resource allocation are based upon this geographical structure.

As discussed in the “Executive Summary” on page 31, most of the lending and other decisions affecting customers are made at the local level. The accounting policies of the individual segments are the same as those of the Company. We allocate the cost of centrally provided services to the business segments based upon estimated or actual usage of those services. Due to the charter consolidation, we have moved to an internal Funds Transfer Pricing (“FTP”) allocation system to report results of operations for business segments. This process continues to be refined.

The operating segment identified as “Other” includes the Parent, Zions Management Services Company (which was merged into Zions First National Bank on December 31, 2015), certain nonbank financial service subsidiaries, and eliminations of transactions between segments. Due to the ongoing centralization of back-office functions that continued throughout 2016, a higher level of expenses than normal was retained in the Other segment. The Parent’s operations are significant to the Other segment. The Company’s net interest income is substantially affected by the Parent’s interest expense on long-term debt. The Parent’s financial statements in Note 23 provide more information about the Parent’s activities.

The condensed statement of income identifies the components of income and expense which affect the operating amounts presented in the Other segment. Total loans and deposits presented for the banking segments do not include intercompany amounts between banking segments, but may include deposits with the Other segment. Prior period amounts have been reclassified to reflect these changes. Note 21 of the Notes to Consolidated Financial Statements contains selected information from the respective balance sheets and statements of income for all segments.

During 2016, our banking operations experienced improved financial performance. Common areas of financial performance experienced at various levels of the segments include:

- increased loan balances across all geographies;
- improvements in credit quality, which, with the exception of oil and gas-related exposures, resulted in reductions of the ALLL; and
- growth in customer deposit balances across almost all segments.

Schedule 11
SELECTED SEGMENT INFORMATION

(In millions)	Zions Bank 2016	Zions Bank 2015	Zions Bank 2014	Amegy 2016	Amegy 2015	Amegy 2014	CB&T 2016	CB&T 2015	CB&T 2014
KEY FINANCIAL INFORMATION									
Total loans	$ 12,560	$ 12,232	$ 12,172	$ 10,557	$ 10,115	$ 10,077	$ 9,381	$ 8,832	$ 8,530
Total deposits	16,764	16,233	16,214	11,924	11,677	11,491	10,969	10,520	9,707
Income (loss) before income taxes	410.8	345.2	390.4	121.9	132.0	204.4	258.1	199.2	203.5
CREDIT QUALITY									
Provision for loan losses	$ (21.6)	$ (28.3)	$ (58.5)	$ 163.0	$ 91.3	$ 32.2	$ (9.1)	$ (4.4)	$ (20.1)
Net loan and lease charge-offs	13.4	10.3	13.0	123.4	22.2	22.8	(1.3)	10.1	5.5
Ratio of net charge-offs to average loans and leases	0.11%	0.09%	0.11%	1.16%	0.22%	0.24%	(0.01)%	0.12%	0.06%
Allowance for loan losses	$ 145	$ 180	$ 219	$ 263	$ 223	$ 154	$ 74	$ 81	$ 96
Ratio of allowance for loan losses to net loans and leases, at year-end	1.15%	1.47%	1.80%	2.49%	2.20%	1.53%	0.79 %	0.92%	1.13%
Nonperforming lending-related assets	$ 105.0	$ 108.9	$ 82.6	$ 359.6	$ 115.7	$ 78.8	$ 42.1	$ 42.3	$ 88.7
Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned	0.83%	0.89%	0.68%	3.39%	1.14%	0.78%	0.45 %	0.48%	1.04%
Accruing loans past due 90 days or more	$ 9.8	$ 4.3	$ 2.2	$ 6.6	$ 2.5	$ 1.7	$ 19.1	$ 24.1	$ 24.7
Ratio of accruing loans past due 90 days or more to net loans and leases	0.08%	0.04%	0.02%	0.06%	0.02%	0.02%	0.20 %	0.27%	0.29%

(In millions)	NBAZ 2016	NBAZ 2015	NBAZ 2014	NSB 2016	NSB 2015	NSB 2014	Vectra 2016	Vectra 2015	Vectra 2014	TCBW 2016	TCBW 2015	TCBW 2014
KEY FINANCIAL INFORMATION												
Total loans	$ 4,292	$ 3,909	$ 3,750	$ 2,344	$ 2,285	$ 2,421	$ 2,528	$ 2,468	$ 2,320	$ 870	$ 704	$ 713
Total deposits	4,609	4,369	4,133	4,243	4,035	3,690	2,842	2,889	2,591	1,161	986	816
Income (loss) before income taxes	109.6	77.3	91.0	69.1	58.6	48.5	66.5	36.2	46.4	25.7	25.1	6.2
CREDIT QUALITY												
Provision for loan losses	$ (3.1)	$ 7.9	$ (21.5)	$ (28.4)	$ (28.3)	$ (20.9)	$ (7.9)	$ 4.7	$ (8.4)	$ (0.2)	$ (2.9)	$ (0.9)
Net loan and lease charge-offs	0.2	10.1	0.4	(4.8)	(17.3)	0.2	0.3	3.7	1.0	0.2	(0.4)	(0.6)
Ratio of net charge-offs to average loans and leases	—%	0.26%	0.01%	(0.21)%	(0.74)%	0.01%	0.01%	0.16%	0.04%	0.02%	(0.05)%	(0.08)%
Allowance for loan losses	$ 35	$ 38	$ 40	$ 19	$ 43	$ 54	$ 25	$ 33	$ 32	$ 7	$ 8	$ 10
Ratio of allowance for loan losses to net loans and leases, at year-end	0.81%	0.97%	1.07%	0.81 %	1.87 %	2.22%	0.99%	1.34%	1.39%	0.83%	1.08 %	1.42 %
Nonperforming lending-related assets	$ 31.3	$ 46.8	$ 28.8	$ 19.7	$ 19.2	$ 21.2	$ 15.0	$ 22.8	$ 19.1	$ 0.2	$ 1.3	$ 6.4
Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned	0.73%	1.20%	0.77%	0.84 %	0.84 %	0.88%	0.59%	0.92%	0.82%	0.02%	0.18 %	0.90 %
Accruing loans past due 90 days or more	$ —	$ 0.1	$ 0.1	$ —	$ —	$ 0.5	$ 0.3	$ 1.0	$ —	$ —	$ —	$ —
Ratio of accruing loans past due 90 days or more to net loans and leases	—%	—%	—%	— %	— %	0.02%	0.01%	0.04%	—%	—%	— %	— %

Zions Bank

Zions Bank is headquartered in Salt Lake City, Utah, and is primarily responsible for conducting operations in Utah, Idaho, and Wyoming. If it were a separately chartered bank, it would be the 2nd largest full-service commercial bank in Utah and the 3rd largest in Idaho, as measured by domestic deposits in these states.

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

Zions Bank's income before income taxes increased by $65.6 million, or 19.0%, during 2016 primarily as a result of increases in other noninterest income and decreases in other noninterest expense. The loan portfolio increased by $328 million during 2016, which consisted of increases of $159 million in commercial loans, $49 million in CRE loans, and $120 million in consumer loans, while commercial owner-occupied loans decreased by $164 million. The decline in commercial owner-occupied loans was mainly the result of a reduction in the National Real Estate loan portfolio. The ratio of allowance for loan losses to net loans and leases decreased to 1.15% at December 31, 2016 from 1.47% at December 31, 2015. Nonperforming lending-related assets declined 3.6% from the prior year due primarily to decreases in nonaccrual loans in the commercial and industrial and commercial owner-occupied portfolios. Deposits at December 31, 2016 were 3.3% higher than at December 31, 2015.

Amegy Bank

Amegy Bank is headquartered in Houston, Texas. If it were a separately chartered bank, it would be the 9th largest full-service commercial bank in Texas as measured by domestic deposits in the state.

Amegy's income before income taxes decreased by $10.1 million, or 7.7%, during 2016. The decline in income before income taxes is mainly due to a $71.7 million increase in the provision for loan losses, primarily for its oil and gas-related loans. See Schedule 20 and discussion of our "Oil and Gas-Related Exposure" on page 57 for more information. Despite the decline in the oil and gas-related portfolio, Amegy has been able to achieve loan portfolio growth, resulting in a $441 million increase from the prior year. During 2016, commercial loans decreased by $169 million, and CRE loans and consumer loans increased by $203 million, and $407 million, respectively. As a result of the oil and gas-related exposure, the credit quality of Amegy's loan portfolio declined during 2016, and the ratio of ALLL net loans and leases increased to 2.49% at December 31, 2016 from 2.20% a year earlier. During 2016, nonperforming lending-related assets increased $244 million, or 210.9%. Deposits decreased by 2.1% from 2015 to 2016.

California Bank & Trust

California Bank & Trust is headquartered in San Diego, California. If it were a separately chartered bank, it would be the 16th largest full-service commercial bank in California as measured by domestic deposits. Its core business is built on relationship banking by providing commercial, real estate and consumer lending, depository services, international banking, cash management, and community development services.

CB&T's income before income taxes increased by $58.9 million, or 29.6%, during 2016 primarily from an increase in net interest income due to loan growth and a decline in noninterest expense. CB&T's loan portfolio increased by $549 million in 2016 from the prior year. During 2016, CRE loans grew by $326 million, commercial loans increased by $167 million, and consumer loans increased by $56 million. The credit quality of CB&T's loan portfolio continues to improve, and the ratio of ALLL to net loans and leases declined to 0.79% at December 31, 2016 from 0.92% a year earlier. Deposits increased by 4.3% from 2015 to 2016.

National Bank of Arizona

National Bank of Arizona is headquartered in Phoenix, Arizona. If it were a separately chartered bank, it would be the 6th largest full-service commercial bank in Arizona as measured by domestic deposits in the state.

NBAZ's income before income taxes increased by $32.3 million, or 41.8% during 2016 due to an $11.0 million improvement in the provision for loan losses, in addition to increased net interest income from loan growth and

improved fee revenue. The loan portfolio increased during 2016 by $383 million, including $154 million in commercial loans, $176 million in CRE loans, and $53 million in consumer loans. The credit quality of NBAZ's loan portfolio continues to improve, and the ratio of ALLL to net loans and leases declined to 0.81% at December 31, 2016 from 0.97% a year earlier. Deposits at December 31, 2016 were 5.5% higher in 2016 than in 2015.

Nevada State Bank

Nevada State Bank is headquartered in Las Vegas, Nevada. If it were a separately chartered bank, it would be the 4th largest full-service commercial bank in Nevada as measured by domestic deposits in the state. NSB focuses on serving small and mid-sized businesses as well as retail consumers, with an emphasis on relationship banking.

In 2016, NSB had income before income taxes of $69.1 million, compared to $58.6 million in 2015, primarily due to lower expenses and increased fee income. NSB's loans increased by $58 million during 2016, including an increase of $83 million in CRE loans, and $52 million in consumer loans, partially offset by a decrease of $77 million in commercial loans. The credit quality of NSB's loan portfolio improved significantly, and the ratio of ALLL to net loans and leases was 0.81% and 1.87% at December 31, 2016 and 2015, respectively. Nonperforming lending-related assets slightly increased 2.5% from the prior year. Deposits at December 31, 2015 were 5.1% higher than the prior year.

Vectra Bank Colorado

Vectra Bank Colorado is headquartered in Denver, Colorado. If it were a separately a chartered bank, it would be the 9th largest full-service commercial bank in Colorado as measured by domestic deposits in the state.

In 2016, Vectra's income before income taxes increased to $66.5 million from $36.2 million in 2015, primarily as a result of a decrease in the provision related to Vectra's oil and gas-related credit exposure. During 2016, total loans increased by $60 million, including $95 million in consumer loans, $80 million in CRE loans, partially offset by a decrease of $115 million in commercial loans. The credit quality of Vectra's loan portfolio continued to improve, and the ratio of ALLL to net loans and leases decreased to 0.99% at December 31, 2016 from 1.34% a year earlier. Deposits at December 31, 2016 were 1.6% lower than a year earlier.

The Commerce Bank of Washington

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

TCBW's income before income taxes for 2016 was $25.7 million compared with $25.1 million in 2015. The loan portfolio increased by $166 million, including a $96 million increase in commercial loans, and a $70 million increase in CRE loans.

Nonperforming lending-related assets decreased $1 million, and the ratio of ALLL to net loans and leases decreased from 1.08% in 2015 to 0.83% in 2016. Deposits at December 31, 2016 were 17.8% higher than a year earlier.

Other Segment

Operating components in the "Other" segment, as shown in Notes 21 and 23 of the Notes to Consolidated Financial Statements, relate primarily to centralized back-office functions of the Bank, the Parent and eliminations of transactions between segments. The major components of net interest income at the Bank's back-office include the revenue associated with the investments securities portfolio and the offset of the FTP costs and benefits provided to the business segments. Throughout 2016 consolidation efforts continued, which resulted in transitioning FTE from the business segments to the Company's back-office units. Due to the continuing nature and timing of this change, the Company's back-office units retained more direct expenses in 2016 than in prior years. With the consolidation efforts largely completed, allocations of these expenses to the business segments will result in "Other" segment

noninterest expenses that are more consistent with historical levels going forward. The major components at the Parent include net interest income, which includes interest expense on other borrowed funds, net impairment losses on investment securities, and losses from the sale of the remaining CDO portfolio.

BALANCE SHEET ANALYSIS

Interest-Earning Assets

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

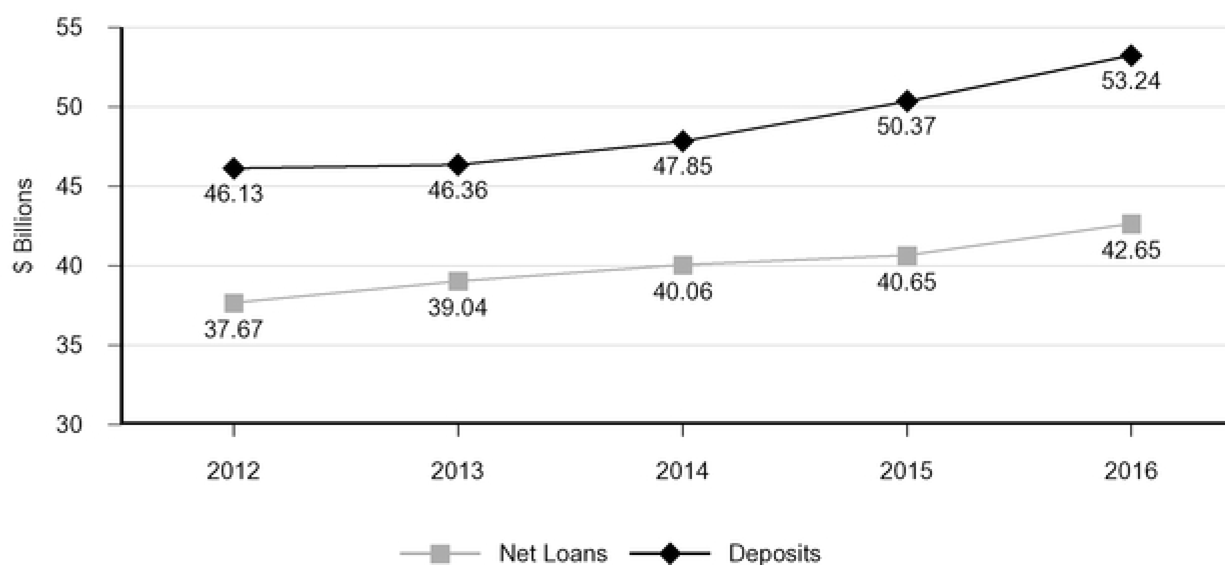
Schedule 6, which we referenced in our discussion of net interest income, includes the average balances of our interest-earning assets, the amount of revenue generated by them, and their respective yields. Another goal is to maintain a higher-yielding mix of interest-earning assets, such as loans, relative to lower-yielding assets, such as money market investments or securities, while maintaining adequate levels of highly-liquid assets. As a result of slower economic growth accompanied by moderate loan demand in previous periods, the Company's initiative to maintain a higher-yielding mix of interest-earning assets caused us to deploy excess funds into security purchases and redemptions of long-term debt.

Average interest-earning assets were $56.2 billion in 2016 compared with $54.4 billion in the previous year. Average interest-earning assets as a percentage of total average assets were 93.5% in 2016 and 93.7% in 2015.

Average loans were $42.1 billion in 2016 and $40.2 billion in 2015. Average loans as a percentage of total average assets were 70.0% in 2016 compared with 69.2% in 2015.

Average money market investments, consisting of interest-bearing deposits and federal funds sold and security resell agreements, decreased by 55.6% to $3.7 billion in 2016 compared with $8.3 billion in 2015. Average securities increased by 76.9% from 2015. Average total deposits increased by 4.0% while average total loans increased by 4.7% in 2016 when compared with 2015.

OUTSTANDING LOANS AND DEPOSITS
(at December 31)



Investment Securities Portfolio

We invest in securities to manage liquidity and interest rate risk, in addition to generating revenues for the Company. Refer to the "Liquidity Risk Management" section on page 72 for additional information on management of liquidity and funding and compliance with Basel III and LCR requirements. The following schedule presents a profile of our investment securities portfolio. The amortized cost amounts represent the original cost of the investments, adjusted for related accumulated amortization or accretion of any yield adjustments, and for impairment losses, including credit-related impairment. The estimated fair value measurement levels and methodology are discussed in Note 20 of the Notes to Consolidated Financial Statements.

Schedule 12
INVESTMENT SECURITIES PORTFOLIO

	December 31, 2016			December 31, 2015		
(In millions)	Par Value	Amortized cost	Estimated fair value	Par Value	Amortized cost	Estimated fair value
Held-to-maturity						
Municipal securities	$ 868	$ 868	$ 850	$ 546	$ 546	$ 552
	868	868	850	546	546	552
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	1,847	1,846	1,839	1,233	1,232	1,233
Agency guaranteed mortgage-backed securities	7,745	7,986	7,883	3,810	3,965	3,936
Small Business Administration loan-backed securities	2,066	2,298	2,288	1,741	1,933	1,931
Municipal securities	1,048	1,182	1,154	387	417	419
Other	25	25	24	25	25	23
	12,731	13,337	13,188	7,196	7,572	7,542
Mutual funds and other	184	184	184	101	101	101
	12,915	13,521	13,372	7,297	7,673	7,643
Total	$ 13,783	$ 14,389	$ 14,222	$ 7,843	$ 8,219	$ 8,195

The amortized cost of investment securities at December 31, 2016 increased by 75.1% from the balance at December 31, 2015, primarily due to purchases of agency guaranteed mortgage-backed securities. There were additional increases in agency securities and SBA loan-backed securities.

The investment securities portfolio includes $606 million of net premium primarily from SBA loan-backed securities and agency guaranteed mortgage-backed securities. Recent purchases of these securities have occurred at a premium to the respective par amount. The purchase premiums and discounts for both held-to-maturity ("HTM") and AFS securities are amortized and accreted at a constant effective yield to the contractual maturity date and no assumption is made concerning prepayments. As principal prepayments occur, the portion of the unamortized premium or discount associated with the principal reduction is recognized as interest income in the period the principal is reduced. Premium amortization for 2016 was approximately $99 million, compared with approximately $51 million in 2015, and is included in portfolio yields. The increased premium amortization is due to both an increased amount of agency guaranteed mortgage-backed securities and SBA loan-backed securities and changes in actual prepayment rates of the underlying loans.

As of December 31, 2016, under the GAAP fair value accounting hierarchy, 1.4% of the $13.4 billion fair value of the AFS securities portfolio was valued at Level 1, 98.6% was valued at Level 2, and there were no Level 3 AFS securities. At December 31, 2015, 0.8% of the $7.6 billion fair value of AFS securities portfolio was valued at Level 1, 99.2% was valued at Level 2, and there were no Level 3 AFS securities. See Note 20 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

Schedule 13 presents the maturities of the different types of investments that we owned and the corresponding average yields as of December 31, 2016 based on amortized cost. Expected maturities, rather than contractual maturities, are shown for SBA securities, agency guaranteed mortgage-backed securities and certain agency and municipal securities. See “Liquidity Risk Management” on page 72 and Notes 1, 5 and 7 of the Notes to Consolidated Financial Statements for additional information about our investment securities and their management.

Schedule 13
MATURITIES AND AVERAGE YIELDS ON SECURITIES
At December 31, 2016

	Total securities		Within one year		After one but within five years		After five but within ten years		After ten years	
(In millions)	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]	Amount	Yield[1]
Held-to-maturity										
Municipal securities	$ 868	4.0%	$ 181	2.1%	$ 277	3.7%	$ 199	4.7%	$ 211	5.3%
	868	4.0	181	2.1	277	3.7	199	4.7	211	5.3
Available-for-sale										
U.S. Government agencies and corporations:										
Agency securities	1,846	2.0	106	2.5	763	1.6	773	2.1	204	2.5
Agency guaranteed mortgage-backed securities	7,986	1.8	1,184	1.7	3,158	1.8	2,140	1.8	1,504	1.8
Small Business Administration loan-backed securities	2,298	2.4	235	2.4	721	2.4	602	2.4	740	2.5
Municipal securities	1,182	2.9	25	2.2	329	2.5	790	3.1	38	3.7
Other	25	5.9	—		—		—		25	5.9
	13,337	2.0	1,550	1.9	4,971	1.9	4,305	2.2	2,511	2.1
Mutual funds and other	184	0.4	184	0.4	—		—		—	
	13,521	2.0	1,734	1.7	4,971	1.9	4,305	2.2	2,511	2.1
Total	$ 14,389	2.1	$ 1,915	1.8	$ 5,248	2.0	$ 4,504	2.3	$ 2,722	2.4

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

Exposure to State and Local Governments

We provide multiple products and services to state and local governments (collectively referred to as “municipalities”), including deposit services, loans, and investment banking services, and we invest in securities issued by the municipalities.

Schedule 14 summarizes the Company’s exposure to state and local municipalities.

Schedule 14
MUNICIPALITIES

	December 31,	
(In millions)	2016	2015
Loans and leases	$ 778	$ 676
Held-to-maturity – municipal securities	868	546
Available-for-sale – municipal securities	1,154	419
Trading account – municipal securities	112	33
Unfunded lending commitments	182	119
Total direct exposure to municipalities	$ 3,094	$ 1,793

At December 31, 2016, one municipal loan with a balance of $1 million was on nonaccrual. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and 91% of the outstanding credits were originated by CB&T, Zions Bank, Vectra, and Amegy. See Note 6 of the Notes to Consolidated Financial Statements for additional information about the credit quality of these municipal loans.

Growth in municipal exposures came primarily from increases in the municipal AFS securities portfolio consistent with the Company's initiative to increase securities. AFS securities generally consist of securities with investment grade-ratings from one or more major credit rating agencies. HTM securities consist of unrated bonds issued by small local government entities. Prior to purchase, the issuers of municipal securities are evaluated by the Company for their creditworthiness, and some of the securities are guaranteed by third parties.

Foreign Exposure and Operations

Our credit exposure to foreign sovereign risks and total foreign credit exposure is not significant. We also do not have significant foreign exposure to derivative counterparties. We had no foreign deposits at December 31, 2016, compared with $294 million at December 31, 2015. During 2016, we closed our branch in Grand Cayman, Grand Cayman Islands B.W.I. and no longer have foreign operations.

Loans Held for Sale

Loans held for sale, consisting primarily of consumer mortgage and small business loans to be sold in the secondary market, were $172 million at December 31, 2016, compared with $150 million at December 31, 2015. These consumer loans are primarily fixed-rate mortgages that are originated with the intent to be sold to third parties.

Loan Portfolio

As of December 31, 2016, net loans and leases accounted for 67.4% of total assets compared with 68.1% at the end of 2015. Schedule 15 presents our loans outstanding by type of loan as of the five most recent year-ends. The schedule also includes a maturity profile for the loans that were outstanding as of December 31, 2016. However, while this schedule reflects the contractual maturity and repricing characteristics of these loans, in a small number of cases, we have hedged the repricing characteristics of our variable-rate loans as more fully described in "Interest Rate Risk" on page 68.

Schedule 15
LOAN PORTFOLIO BY TYPE AND MATURITY

	December 31, 2016				December 31,			
(In millions)	One year or less	One year through five years	Over five years	Total	2015	2014	2013	2012
Commercial:								
Commercial and industrial	$ 7,641	$ 4,163	$ 1,648	$ 13,452	$ 13,211	$ 13,163	$ 12,459	$ 11,215
Leasing	32	311	80	423	442	409	388	422
Owner-occupied	504	1,078	5,380	6,962	7,150	7,351	7,568	7,781
Municipal	138	121	519	778	676	521	449	494
Total commercial	8,315	5,673	7,627	21,615	21,479	21,444	20,864	19,912
Commercial real estate:								
Construction and land development	921	1,031	67	2,019	1,842	1,986	2,193	1,969
Term	1,517	3,961	3,844	9,322	8,514	8,127	8,203	8,362
Total commercial real estate	2,438	4,992	3,911	11,341	10,356	10,113	10,396	10,331
Consumer:								
Home equity credit line	34	61	2,550	2,645	2,417	2,321	2,147	2,197
1-4 family residential	8	103	5,780	5,891	5,382	5,201	4,742	4,363
Construction and other consumer real estate	307	52	127	486	385	371	325	322
Bankcard and other revolving plans	241	22	218	481	444	401	361	312
Other	19	138	33	190	187	213	208	233
Total consumer	609	376	8,708	9,693	8,815	8,507	7,783	7,427
Total net loans	$ 11,362	$ 11,041	$ 20,246	$ 42,649	$ 40,650	$ 40,064	$ 39,043	$ 37,670
Loans maturing:								
With fixed interest rates	$ 1,277	$ 3,841	$ 3,802	$ 8,920				
With variable interest rates	10,085	7,200	16,444	33,729				
Total	$ 11,362	$ 11,041	$ 20,246	$ 42,649				

As of December 31, 2016, net loans and leases were $42.6 billion, reflecting a 4.9% increase from the prior year. The increase is primarily attributable to new loan originations and loan purchases.

Loan portfolio growth during 2016 was widespread across loan products and geography with particular strength in commercial and industrial (non-oil and gas), CRE term, 1-4 family residential, and home equity credit line loans (“HECL”). The growth in the loan portfolio was primarily at CB&T, Amegy, NBAZ, and Zions Bank. During the second quarter of 2016, the Company purchased $104 million of 1-4 family residential loans. The impact of these increases was partially offset by declines in commercial owner-occupied loans.

Of the significant increases within the portfolio, commercial and industrial (non-oil and gas) loans increased approximately $241 million, CRE term loans increased $808 million, and 1-4 family residential loans increased $509 million, due largely to an increase in loan production.

Commercial owner-occupied loans declined approximately $188 million during 2016 and $202 million during 2015, due to the reduction of the National Real Estate portfolio at Zions Bank, though these declines are not expected to continue at the same pace in 2017. The National Real Estate business is a wholesale business that depends upon loan referrals from other community banking institutions. Due to generally soft loan demand nationally, many community banking institutions are retaining, rather than selling, their loan production.

We expect slight-to-moderate overall loan and lease growth during 2017, primarily in commercial and industrial (non-oil and gas) loans, CRE term, and consumer 1-4 family residential, partially offset by continued reduction from the National Real Estate and oil and gas-related loan portfolios. We also expect to continue to limit

construction and land development loan commitment growth for the foreseeable future as part of management's actions to improve the risk profile of the Company and to reduce portfolio concentration risk.

Loans serviced for the benefit of others increased to $3.5 billion during 2016 from $3.4 billion in 2015.

Other Noninterest-Bearing Investments

As part of our initiative to consolidate our charters into a single charter, the Company has shares in a single FHLB (Des Moines). Historically, each affiliate bank held shares in different FHLBs, but all stock in the other FHLBs has been redeemed. Our investment balance in Federal Reserve stock is expected to remain relatively stable from where it currently sits at December 31, 2016. The $58 million increase is because several formerly state-chartered banks were not required to hold stock with the FRB. Following consolidation, the capital requirements for ZB, N.A. increased. Schedule 16 sets forth our other noninterest-bearing investments.

Schedule 16
OTHER NONINTEREST-BEARING INVESTMENTS

(In millions)	December 31,	
	2016	2015
Bank-owned life insurance	$ 497	$ 486
Federal Home Loan Bank stock	30	68
Federal Reserve stock	181	123
FARMAC stock	34	25
SBIC investments	124	113
Non-SBIC investment funds	15	24
Others	3	9
	$ 884	$ 848

Premises, Equipment and Software, Net

Premises, equipment and software, net increased $114 million, or 12.6%, from the prior year primarily due to an increase of $85 million in buildings and $59 million in software, partially offset by an increase in depreciation of $28 million. The capitalized costs associated with buildings were primarily from the development of a new corporate facility for Amegy in Texas. The increase in software was mainly due to the capitalization of eligible costs related to the development of new lending, deposit, and reporting systems.

Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Company. Average total deposits increased by 4.0% during 2016, with average interest-bearing deposits increasing by 3.2% and average noninterest-bearing deposits increasing 5.1%. The average interest rate paid for interest-bearing deposits did not change in 2016 compared with 2015.

Deposits at December 31, 2016, excluding time deposits of $100,000 and over and brokered deposits, increased by 4.3%, or $2.1 billion, from December 31, 2015. The increase was mainly due to an increase in noninterest-bearing demand deposits and interest-bearing domestic savings and money market, offset by a decrease in time deposits under $100,000 and foreign deposits.

Demand and savings and money market deposits were 94.8% and 95.2% of total deposits at December 31, 2016, and December 31, 2015, respectively. In the normal course of business, we utilize brokered deposits for our deposit funding mix. At December 31, 2016 and December 31, 2015, total deposits included $940 million and $119 million, respectively, of brokered deposits.

See Notes 11 and 12 of the Notes to Consolidated Financial Statements and "Liquidity Risk Management" on page 72 for additional information on funding and borrowed funds.

RISK ELEMENTS

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

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

Credit Risk Management

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

The Board of Directors, through the ROC, is responsible for approving the overall policies relating to the management of the credit risk of the Company. In addition, the ROC oversees and monitors adherence to key policies and the credit risk appetite which is defined in the Risk Appetite Framework. Additionally, the Board has established the Credit Administration Committee, chaired by the Chief Credit Officer and consisting of members of management, to which it has delegated the responsibility for managing credit risk for the Company and approving changes to the Company's credit policies.

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

Both the credit policy and the credit examination functions are managed centrally. Emphasis is placed on strong underwriting standards and early detection of potential problem credits in order to develop and implement action plans on a timely basis to mitigate any potential losses.

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

As we continue to monitor our concentration risk, we note the composition of our loan portfolio has slightly changed. Oil and gas-related loans represent 5% of the total loan portfolio at December 31, 2016, compared with 6% at December 31, 2015, and total commercial loans are 50.6% of the total portfolio compared with 52.9% for the

same periods. Consumer loans have grown to represent 22.8% of the total loan portfolio at December 31, 2016, compared with 21.6% at December 31, 2015.

The credit quality of our total loan portfolio experienced some deterioration during 2016, primarily due to the oil and gas-related loan portfolio. Nonperforming lending-related assets at December 31, 2016 increased by approximately 60.5% from December 31, 2015. Gross charge-offs for 2016 increased to $197 million from $139 million in 2015, and net charge-offs increased to $131 million from $39 million for the same periods.

As displayed in Schedule 17, commercial and industrial loans were the largest category and constituted 31.5% of our loan portfolio at December 31, 2016. Commercial owner-occupied loans decreased to 16.3% of total loans at December 31, 2016, compared with 17.6% at December 31, 2015.

Schedule 17
LOAN PORTFOLIO DIVERSIFICATION

(In millions)	December 31, 2016		December 31, 2015	
	Amount	% of total loans	Amount	% of total loans
Commercial:				
Commercial and industrial	$ 13,452	31.5%	$ 13,211	32.5%
Leasing	423	1.0	442	1.1
Owner-occupied	6,962	16.3	7,150	17.6
Municipal	778	1.8	676	1.7
Total commercial	21,615	50.6	21,479	52.9
Commercial real estate:				
Construction and land development	2,019	4.7	1,842	4.5
Term	9,322	21.9	8,514	21.0
Total commercial real estate	11,341	26.6	10,356	25.5
Consumer:				
Home equity credit line	2,645	6.2	2,417	5.9
1-4 family residential	5,891	13.8	5,382	13.2
Construction and other consumer real estate	486	1.2	385	0.9
Bankcard and other revolving plans	481	1.1	444	1.1
Other	190	0.5	187	0.5
Total consumer	9,693	22.8	8,815	21.6
Total net loans	$ 42,649	100.0%	$ 40,650	100.0%

Government Agency Guaranteed Loans

We participate in various guaranteed lending programs sponsored by U.S. government agencies, such as the SBA, Federal Housing Authority, Veterans' Administration, Export-Import Bank of the U.S., and the U.S. Department of Agriculture. As of December 31, 2016, the principal balance of these loans was $554 million, and the guaranteed portion was $420 million. Most of these loans were guaranteed by the SBA.

Schedule 18 presents the composition of government agency guaranteed loans.

Schedule 18
GOVERNMENT GUARANTEES

(In millions)	December 31, 2016	Percent guaranteed	December 31, 2015	Percent guaranteed
Commercial	$ 519	75%	$ 536	76%
Commercial real estate	18	75	17	77
Consumer	17	92	16	90
Total loans	$ 554	76	$ 569	76

Commercial Lending

Schedule 19 provides selected information regarding lending concentrations to certain industries in our commercial lending portfolio.

Schedule 19
COMMERCIAL LENDING BY INDUSTRY GROUP

(In millions)	December 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
Real estate, rental and leasing	$ 2,624	12.1%	$ 2,355	11.0%
Manufacturing	2,161	10.0	2,338	10.9
Retail trade	2,145	9.9	2,025	9.4
Healthcare and social assistance	1,538	7.1	1,361	6.3
Finance and insurance	1,462	6.8	1,325	6.2
Wholesale trade	1,444	6.7	1,644	7.6
Mining, quarrying and oil and gas extraction	1,403	6.5	1,820	8.5
Transportation and warehousing	1,300	6.0	1,219	5.7
Construction	1,076	5.0	1,087	5.1
Accommodation and food services	925	4.3	964	4.5
Other services (except Public Administration)	881	4.1	862	4.0
Professional, scientific and technical services	875	4.0	860	4.0
Utilities [1]	783	3.6	775	3.6
Other [2]	2,998	13.9	2,844	13.2
Total	$ 21,615	100.0%	$ 21,479	100.0%

[1] *Includes primarily utilities, power, and renewable energy.*

[2] *No other industry group exceeds 3%.*

Oil and Gas-Related Exposure

Various industries represented in the previous schedule contain certain loans we categorized as oil and gas-related, including mining, quarrying and oil and gas extraction; manufacturing; and transportation and warehousing. At December 31, 2016 and 2015, we had approximately $3.9 billion and $4.8 billion of total oil and gas-related credit exposure, respectively. The distribution of oil and gas-related loans by customer market segment is shown in Schedule 20.

Schedule 20

OIL AND GAS-RELATED EXPOSURE [1]

(In millions)	December 31, 2016	% of total oil and gas- related	December 31, 2015	% of total oil and gas- related
Loans and leases				
Upstream – exploration and production	$ 733	34%	$ 817	31%
Midstream – marketing and transportation	598	28	621	23
Downstream – refining	137	6	127	5
Other non-services	38	2	44	2
Oilfield services	500	23	784	30
Oil and gas service manufacturing	152	7	229	9
Total loan and lease balances [2]	2,158	100%	2,622	100%
Unfunded lending commitments	1,722		2,151	
Total oil and gas credit exposure	$ 3,880		$ 4,773	
Private equity investments	$ 7		$ 13	
Credit quality measures				
Criticized loan ratio	37.8%		30.3%	
Classified loan ratio	31.6		19.7	
Nonaccrual loan ratio	13.6		2.5	
Ratio of nonaccrual loans that are current	86.1		71.2	
Net charge-off ratio, annualized [3]	3.0		3.7	

[1] *Because many borrowers operate in multiple businesses, judgment has been applied in characterizing a borrower as oil and gas-related, including a particular segment of oil and gas-related activity, e.g., upstream or downstream; typically, 50% of revenues coming from the oil and gas sector is used as a guide.*

[2] *Total loan and lease balances and the credit quality measures do not include $40 million of oil and gas loans held for sale at December 31, 2016. There were no oil and gas loans held for sale at December 31, 2015.*

[3] *Calculated as the ratio of annualized net charge-offs from the fourth quarters of 2016 and 2015, respectively, to loan balances at period end 2016 and 2015, respectively.*

During 2016, our balance of oil and gas-related loans decreased approximately $464 million, or 17.7%, to $2.2 billion, primarily as a result of payoffs and pay-downs; exploration and production loan balances decreased 10.3%, and oil and gas services loan balances declined 35.6%. Unfunded oil and gas-related lending commitments declined by $429 million, or 19.9%. The decline in oil and gas-related credit exposure during 2016 was consistent with expectations, and further reduction is likely over the next several quarters, but it is not expected to continue at the same pace in 2017.

At December 31, 2016, approximately $294 million, or 13.6%, of the oil and gas-related loan balances were nonaccruing, compared with approximately $66 million, or 2.5% at December 31, 2015. 86.1% of oil and gas-related nonaccruing loans were current as to principal and interest payments at December 31, 2016, significantly up from 71.2% at December 31, 2015.

Classified oil and gas-related credits increased to $681 million at December 31, 2016, from $517 million at December 31, 2015. Oil and gas-related loan net charge-offs were $130 million for 2016, compared with $43 million for 2015. The majority of the net charge-offs and loan downgrades during 2016 reflected deterioration in the financial condition of companies primarily in the oilfield services and exploration and production portfolios.

Upstream

Upstream exploration and production loans comprised approximately 34% and 31% of the oil and gas-related loans at December 31, 2016 and December 31, 2015, respectively. Many upstream borrowers have relatively balanced production between oil and gas.

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

Upstream borrowers generally do not draw the maximum available funding on their lines, which provides the borrower additional liquidity and flexibility. The line utilization rate for upstream borrowers was approximately 59% and 57% at December 31, 2016 and December 31, 2015, respectively. This unused commitment gives us the ability in some cases to reduce the borrowing base commitment through the redetermination process without creating a borrowing base deficiency (where outstanding debt exceeds the new borrowing base). Nevertheless, our loan agreements generally require the borrowers to maintain a certain amount of equity. Therefore, if the loan-to-collateral value exceeds an acceptable limit, we work with the borrowers to reinstate an acceptable collateral-value threshold.

An additional metric we consider in our underwriting is a borrower's oil and gas price hedging practices. A considerable portion of our reserve-based borrowers are hedged. As of December 31, 2016, of the upstream borrower's risk-based estimated oil production and gas production projected in 2017, 42% and 68%, respectively, is hedged based on the latest data provided by the borrowers.

Midstream

Midstream marketing and transportation loans comprised approximately 28% and 23% of the oil and gas-related exposure at December 31, 2016 and December 31, 2015, respectively. Loans in this segment are made to companies that gather, transport, treat and blend oil and natural gas, or that provide services to similar companies. The assets owned by these borrowers, which make this activity possible, are field-level gathering systems (small diameter pipe), pipelines (medium/large diameter pipe), tanks, trucks, rail cars, various water-based vessels, and natural gas treatment plants. Our midstream loans are secured by these assets, unless the borrower is rated investment-grade. A significant portion of our midstream borrowers' revenues are derived from fee-based contracts, giving them limited exposure to commodity price risk. Since lower oil and gas prices slow the drilling and development of new oil and natural gas, but do not normally result in significant numbers of producing wells being shut in, volumes of oil and gas flowing through midstream systems usually remain relatively stable throughout oil and natural gas price cycles.

Oil and Gas Services

Oil and gas services loans, which include oilfield services and oil and gas service manufacturing, comprised approximately 30% and 39% of the oil and gas-related exposure at December 31, 2016 and December 31, 2015, respectively. Oil and gas services loans include borrowers that have a concentration of revenues in the energy industry. However, many of these borrowers provide a broad range of products and services to the oil and gas industry and are not subject to the same volatility as new drilling activities. Many of these borrowers are diversified geographically and service both oil and gas-related drilling and production.

For oil and gas services loans, underwriting criteria require lower leverage to compensate for the cyclical nature of the industry. During the underwriting process, we use sensitivity analysis to consider revenue and cash flow impacts resulting from oil and gas price cycles.

Risk Management of the Oil and Gas-Related Portfolio

We apply concentration limits and disciplined underwriting to the entire oil and gas-related loan portfolio to limit our risk exposure. As an indicator of the diversity in the size of our oil and gas-related portfolio, the average amount

of our commitments is approximately $6 million, with approximately 68% of the commitments less than $30 million. Additionally, there are instances where we have commitments to a common sponsor which, when combined, would result in higher commitment levels than $30 million. The portfolio contains only senior loans – no junior or second lien positions; additionally, we cautiously approach making first-lien loans to borrowers that employ excessive leverage through the use of junior lien loans or unsecured layers of debt. Approximately 90% of the total oil and gas-related portfolio is secured by reserves, equipment, real estate, and other collateral, or a combination of collateral types.

We participate as a lender in loans and commitments designated as Shared National Credits ("SNCs"), which generally consist of larger and more diversified borrowers that have better access to capital markets. SNCs are loans or loan commitments of at least $20 million that are shared by three or more federally supervised institutions. The percentage of SNCs is approximately 79% of the upstream portfolio, 81% of the midstream portfolio, and 46% of the energy services portfolio. Our bankers have direct access and contact with the management of these SNC borrowers, and as such, are active participants. In many cases, we provide ancillary banking services to these borrowers, further evidencing this direct relationship. The results of the 2016 shared national credit exams are reflected in our financial statements.

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

When establishing the level of the ACL, we consider multiple factors, including reduced drilling activity and additional capital raises by borrowers and their sponsors. During 2016, we increased the ACL on the oil and gas-related portfolio by approximately $47 million, which now represents 9.0% of the oil and gas-related portfolio, primarily due to low energy prices, which contributed to an increased provision for loan losses in 2016. Although we experienced favorable credit quality trends in the fourth quarter of 2016, we expect continued net charge-offs in the oil and gas-related portfolio, primarily from the oil and gas services companies.

Commercial Real Estate Loans

Selected information indicative of credit quality regarding our CRE loan portfolio is presented in Schedule 21.

Schedule 21

COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION

At December 31, 2016

(In millions)		Collateral Location									
Loan type	**As of date**	**Arizona**	**California**	**Colorado**	**Nevada**	**Texas**	**Utah/ Idaho**	**Wash-ington**	**Other [1]**	**Total**	**% of total CRE**
Commercial term											
Balance outstanding	12/31/2016	$ 1,193	$ 3,131	$ 382	$ 630	$ 1,696	$ 1,330	$ 338	$ 622	$ 9,322	82.2%
% of loan type		12.8%	33.6%	4.1%	6.8%	18.2%	14.3%	3.6%	6.6%	100.0%	
Delinquency rates: [2]											
30-89 days	12/31/2016	0.1%	—%	—%	0.7%	—%	0.1%	0.2%	0.1%	0.1%	
	12/31/2015	0.1%	0.1%	0.3%	0.1%	0.1%	—%	0.2%	0.2%	0.1%	
≥ 90 days	12/31/2016	0.2%	0.4%	—%	—%	—%	0.1%	—%	1.0%	0.2%	
	12/31/2015	—%	0.5%	1.6%	0.1%	0.1%	0.2%	1.0%	0.9%	0.4%	
Accruing loans past due 90 days or more	12/31/2016	$ —	$ 10	$ —	$ —	$ —	$ 2	$ —	$ —	$ 12	
	12/31/2015	—	15	—	—	—	3	3	1	22	
Nonaccrual loans	12/31/2016	8	11	—	2	1	—	7	—	29	
	12/31/2015	17	4	8	3	1	1	—	6	40	
Residential construction and land development											
Balance outstanding	12/31/2016	$ 29	$ 349	$ 78	$ 10	$ 237	$ 37	$ 8	$ 4	$ 752	6.6%
% of loan type		3.9%	46.4%	10.4%	1.3%	31.5%	4.9%	1.1%	0.5%	100.0%	
Delinquency rates: [2]											
30-89 days	12/31/2016	1.8%	—%	—%	—%	0.3%	—%	—%	—%	0.2%	
	12/31/2015	—%	—%	—%	—%	0.3%	—%	—%	—%	0.1%	
≥ 90 days	12/31/2016	—%	—%	—%	—%	—%	—%	—%	—%	—%	
	12/31/2015	—%	—%	—%	—%	0.5%	—%	—%	—%	0.2%	
Accruing loans past due 90 days or more	12/31/2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
	12/31/2015	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	12/31/2016	—	—	—	—	—	—	—	—	—	
	12/31/2015	—	—	—	—	3	—	—	—	3	
Commercial construction and land development											
Balance outstanding	12/31/2016	$ 91	$ 204	$ 94	$ 85	$ 510	$ 205	$ 34	$ 44	$ 1,267	11.2%
% of loan type		7.2%	16.1%	7.4%	6.7%	40.2%	16.2%	2.7%	3.5%	100.0%	
Delinquency rates: [2]											
30-89 days	12/31/2016	—%	—%	—%	0.9%	—%	2.5%	—%	—%	0.5%	
	12/31/2015	—%	—%	—%	—%	—%	0.1%	—%	—%	—%	
≥ 90 days	12/31/2016	—%	—%	—%	—%	0.4%	—%	—%	—%	0.2%	
	12/31/2015	—%	—%	—%	—%	0.7%	0.4%	—%	—%	0.4%	
Accruing loans past due 90 days or more	12/31/2016	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	
	12/31/2015	—	—	—	—	—	—	—	—	—	
Nonaccrual loans	12/31/2016	—	—	—	—	2	5	—	—	7	
	12/31/2015	—	—	—	—	4	—	—	—	4	
Total construction and land development	12/31/2016	$ 120	$ 553	$ 172	$ 95	$ 747	$ 242	$ 42	$ 48	$ 2,019	
Total commercial real estate	12/31/2016	$ 1,313	$ 3,684	$ 554	$ 725	$ 2,443	$ 1,572	$ 380	$ 670	$ 11,341	100.0%

[1] *No other geography exceeds $90 million for all three loan types.*

[2] *Delinquency rates include nonaccrual loans.*

Approximately 23% of the CRE term loans consist of mini-perm loans as of December 31, 2016. For such loans, construction has been completed and the project has stabilized to a level that supports the granting of a mini-perm loan in accordance with our underwriting standards. Mini-perm loans generally have initial maturities of three to seven years. The remaining 77% of CRE loans are term loans with initial maturities generally of 5 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and include criteria related to the cash flow generated by the project, loan-to-value ratio, and occupancy rates.

Approximately $147 million, or 12%, of the commercial construction and land development portfolio at December 31, 2016 consists of acquisition and development loans. These loans are generally secured by land held for, or in the process of, development as commercial properties.

Underwriting on commercial properties is primarily based on the economic viability of the project with heavy consideration given to the creditworthiness and experience of the sponsor. We generally require that the owner's equity be injected prior to bank advances. Remargining requirements (required equity infusions upon a decline in value of the collateral) are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected cash flows of the project are critical in the underwriting because these determine the ultimate value of the property and its ability to service debt. Therefore, in most projects (with the exception of multifamily and hospitality construction projects), we require substantial pre-leasing/leasing in our underwriting and we generally require a minimum projected stabilized debt service coverage ratio of 1.20 or higher, depending on the project asset class.

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

Real estate appraisals are ordered in accordance with regulatory guidelines and are validated independent of the loan officer and the borrower, generally by our internal appraisal review function, which is staffed by licensed appraisers. In some cases, reports from automated valuation services are used or internal evaluations are performed. A new appraisal or evaluation is required when a loan deteriorates to a certain level of credit weakness.

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

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

The existence of a guarantee that improves the likelihood of repayment is taken into consideration when analyzing CRE loans for impairment. If the support of the guarantor is quantifiable and documented, it is included in the potential cash flows and liquidity available for debt repayment and our impairment methodology takes into consideration this repayment source.

When we modify or extend a loan, we give consideration to whether the borrower is in financial difficulty, and whether we have granted a concession. In determining if an interest rate concession has been granted, we consider whether the interest rate on the modified loan is equivalent to current market rates for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may indicate that a concession was

granted and impairment exists. However, if additional collateral is obtained or if a strong guarantor exists who is believed to be able and willing to support the loan on an extended basis, we also consider the nature and amount of the additional collateral and guarantees in the ultimate determination of whether a concession has been granted.

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

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

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

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

A continuation of low oil and gas prices could potentially produce an adverse impact on our CRE loan portfolio within Texas. However, based upon generally strong equity and cash flow coverage levels, and sponsor support for the various properties, we do not expect a material amount of losses within this portfolio in 2017. Our largest CRE credit exposures in Texas are to the multi-family, office, and retail sectors. At December 31, 2016, approximately 55% of our CRE credit exposure in Texas is located in Houston, and the CRE loan portfolio mix in Texas is 68% commercial term, 19% commercial construction, 10% residential construction, and 3% land development.

Consumer Loans

We have mainly been an originator of first and second mortgages, generally considered to be of prime quality. We generally hold variable-rate loans in our portfolio and sell "conforming" fixed-rate loans to third parties, including Federal National Mortagage Association and Federal Home Loan Mortgage Corporation, for which we make representations and warranties that the loans meet certain underwriting and collateral documentation standards.

We are engaged in HECL lending. At December 31, 2016 and 2015, our HECL portfolio totaled $2.6 billion and $2.4 billion, respectively. Schedule 22 shows the composition of our HECL portfolio by lien status.

Schedule 22
HECL PORTFOLIO BY LIEN STATUS

(In millions)	December 31, 2016	December 31, 2015
Secured by first deeds of trust	$ 1,383	$ 1,268
Secured by second (or junior) liens	1,262	1,149
Total	$ 2,645	$ 2,417

As of December 31, 2016, loans representing approximately 1% of the outstanding balance in the HECL portfolio were estimated to have combined loan-to-value ratios ("CLTV") above 100%. An estimated CLTV ratio is the ratio of our loan plus any prior lien amounts divided by the estimated current collateral-value. At origination, underwriting standards for the HECL portfolio generally include a maximum 80% CLTV with high credit scores at origination.

Approximately 94% of our HECL portfolio is still in the draw period, and approximately 27% is scheduled to begin amortizing within the next five years. We regularly analyze the risk of borrower default in the event of a loan becoming fully amortizing and the risk of higher interest rates. The analysis indicates that the risk of loss from this factor is minimal in the current economic environment. The ratio of net charge-offs to average balances at year-end 2016 and 2015 for the HECL portfolio was 0.01% and (0.02)%, respectively. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the credit quality of this portfolio.

Nonperforming Assets

Nonperforming lending-related assets as a percentage of loans and leases and other real estate owned ("OREO") increased to 1.34% at December 31, 2016, compared with 0.87% at December 31, 2015.

Total nonaccrual loans at December 31, 2016 increased by $219 million from the prior year, primarily due to deterioration in the oil and gas-related portfolio. However, nonaccrual loans declined in the 1-4 family residential and CRE term loan categories. The largest total decreases in nonaccrual loans occurred at NBAZ and Vectra.

The balance of nonaccrual loans can decrease due to paydowns, charge-offs, and the return of loans to accrual status under certain conditions. If a nonaccrual loan is refinanced or restructured, the new note is immediately placed on nonaccrual. If a restructured loan performs under the new terms for at least a period of six months, the loan can be considered for return to accrual status. See "Restructured Loans" on page 65 for more information. Company policy does not allow for the conversion of nonaccrual construction and land development loans to CRE term loans. See Note 6 of the Notes to Consolidated Financial Statements for more information.

Schedule 23 sets forth our nonperforming lending-related assets.

Schedule 23
NONPERFORMING LENDING-RELATED ASSETS

(In millions)	December 31,				
	2016	2015	2014	2013	2012
Nonaccrual loans:					
Loans held for sale	$ 40	$ —	$ —	$ —	$ —
Commercial:					
Commercial and industrial	354	164	106	101	94
Leasing	14	4	—	1	1
Owner-occupied	74	74	87	137	207
Municipal	1	1	1	10	9
Commercial real estate:					
Construction and land development	7	7	24	29	108
Term	29	40	25	60	137
Consumer:					
Real estate	49	59	64	66	89
Other	1	1	—	2	3
Nonaccrual loans	569	350	307	406	648
Other real estate owned:					
Commercial:					
Commercial properties	2	5	11	16	51
Developed land	—	—	—	6	10
Land	—	1	2	6	8
Residential:					
1-4 family	2	1	4	8	8
Developed land	—	—	2	9	15
Land	—	—	—	1	6
Other real estate owned	4	7	19	46	98
Total nonperforming lending-related assets	$ 573	$ 357	$ 326	$ 452	$ 746
Ratio of nonperforming lending-related assets to net loans and leases[1] and other real estate owned	1.34%	0.87%	0.81%	1.15%	1.96%
Accruing loans past due 90 days or more:					
Commercial	$ 18	$ 7	$ 8	$ 8	$ 24
Commercial real estate	13	22	20	29	32
Consumer	5	3	1	3	6
Total	$ 36	$ 32	$ 29	$ 40	$ 62
Ratio of accruing loans past due 90 days or more to net loans and leases[1]	0.08%	0.08%	0.07%	0.10%	0.16%

[1] *Includes loans held for sale.*

Restructured Loans

Troubled debt restructuring ("TDR") are loans that have been modified to accommodate a borrower that is experiencing financial difficulties, and for which we have granted a concession that we would not otherwise consider. TDRs declined 15.5% during 2016, primarily due to payments and payoffs. Commercial loans may be modified to provide the borrower more time to complete the project, to achieve a higher lease-up percentage, to sell the property, or for other reasons. Consumer loan TDRs represent loan modifications in which a concession has been granted to the borrower who is unable to refinance the loan with another lender, or who is experiencing economic hardship. Such consumer loan TDRs may include first-lien residential mortgage loans and home equity loans.

If the restructured loan performs for at least six months according to the modified terms, and an analysis of the customer's financial condition indicates that we are reasonably assured of repayment of the modified principal and interest, the loan may be returned to accrual status. The borrower's payment performance prior to and following the restructuring is taken into account to determine whether or not a loan should be returned to accrual status.

Schedule 24
ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS

(In millions)	December 31, 2016	December 31, 2015
Restructured loans – accruing	$ 151	$ 194
Restructured loans – nonaccruing	100	103
Total	$ 251	$ 297

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). See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding TDRs.

Schedule 25
TROUBLED DEBT RESTRUCTURED LOANS ROLLFORWARD

(In millions)	2016	2015
Balance at beginning of year	$ 297	$ 343
New identified troubled debt restructuring and principal increases	154	140
Payments and payoffs	(145)	(156)
Charge-offs	(32)	(12)
No longer reported as troubled debt restructuring	(10)	(13)
Sales and other	(13)	(5)
Balance at end of year	$ 251	$ 297

Allowance for Credit Losses

In analyzing the adequacy of the ALLL, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, our loan and lease portfolio is broken into segments based on loan type. Schedule 26 shows the changes in the ALLL and a summary of loan loss experience.

Schedule 26
SUMMARY OF LOAN LOSS EXPERIENCE

(In millions)	2016	2015	2014	2013	2012
Loans and leases outstanding on December 31, (net of unearned income)	$ 42,649	$ 40,650	$ 40,064	$ 39,043	$ 37,670
Average loans and leases outstanding, (net of unearned income)	$ 42,062	$ 40,171	$ 39,522	$ 38,109	$ 37,037
Allowance for loan losses:					
Balance at beginning of year	$ 606	$ 605	$ 746	$ 896	$ 1,052
Provision charged against earnings	93	40	(98)	(87)	14
Adjustment for FDIC-supported/PCI loans	—	—	(1)	(11)	(15)
Charge-offs:					
Commercial	(169)	(111)	(77)	(76)	(121)
Commercial real estate	(12)	(14)	(15)	(26)	(85)
Consumer	(16)	(14)	(14)	(29)	(61)
Total	(197)	(139)	(106)	(131)	(267)
Recoveries:					
Commercial	43	55	41	41	56
Commercial real estate	14	35	12	25	42
Consumer	9	10	11	13	14
Total	66	100	64	79	112
Net loan and lease charge-offs	(131)	(39)	(42)	(52)	(155)
Balance at end of year	$ 568	$ 606	$ 605	$ 746	$ 896
Ratio of net charge-offs to average loans and leases	0.31%	0.10%	0.11%	0.14%	0.42%
Ratio of allowance for loan losses to net loans and leases, on December 31,	1.33%	1.49%	1.51%	1.91%	2.38%
Ratio of allowance for loan losses to nonaccrual loans, on December 31,	107.42%	173.23%	197.18%	183.54%	138.25%
Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, on December 31,	100.59%	158.70%	180.03%	166.97%	126.22%

Schedule 27 provides a breakdown of the ALLL and the allocation among the portfolio segments.

Schedule 27
ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

At December 31,

	2016		2015		2014		2013		2012	
(In millions)	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance	% of total loans	Allocation of allowance
Loan segment										
Commercial	50.6%	$ 421	52.9%	$ 454	53.5%	$ 413	53.5%	$ 469	52.9%	$ 521
Commercial real estate	26.6	116	25.5	114	25.3	145	26.6	216	27.4	277
Consumer	22.8	31	21.6	38	21.2	47	19.9	61	19.7	98
Total	100.0%	$ 568	100.0%	$ 606	100.0%	$ 605	100.0%	$ 746	100.0%	$ 896

The total ALLL decreased by $38 million during 2016, due to continued strong credit quality for the total portfolio in addition to a change in the portfolio mix, as oil and gas-related exposures declined, and residential real estate and CRE term exposures increased. This decrease was partially offset by continued weaknesses in the oil and gas-related industry.

The total ALLL remained relatively unchanged during 2015, due to deterioration within the oil and gas-related portfolio, which was offset by improvements in credit quality metrics outside of the oil and gas-related portfolio. However, during 2015, we increased the portion of the ALLL related to qualitative and environmental factors to account for the increased risk of loss on loans affected by the declines in oil and natural gas prices that occurred during the year.

The RULC represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in our balance sheet and any related increases or decreases in the reserve are shown separately in the statement of income. The reserve decreased by $9.9 million during 2016, primarily due to improved credit quality assessments related to these obligations outside the oil and gas-related portfolio, in addition to declining oil and gas-related exposure.

See Note 6 of the Notes to Consolidated Financial Statements for additional information related to the ACL and credit trends experienced in each portfolio segment.

Interest Rate and Market Risk Management

Interest rate and market risk are managed centrally. Interest rate risk is the potential for reduced net interest income and other rate sensitive income resulting from adverse changes in the level of interest rates. 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, we are 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, including interest rate and market risk management. In addition, the Board establishes and periodically revises policy limits and reviews limit exceptions reported by management. The Board has established the Asset/Liability Committee ("ALCO") consisting of members of management, to which it has delegated the responsibility of managing interest rate and market risk for the Company. ALCO is primarily responsible for managing interest rate and market risk.

Interest Rate Risk

Interest rate risk is one of the most significant risks to which we are regularly exposed. In general, our goal in managing interest rate risk is to manage balance sheet sensitivity to reduce net income volatility due to changes in interest rates.

Previously, we have noted that there has been limited sensitivity to falling rates due to the low level of rates and we have tended to operate near interest rate risk "triggers" and appetites to be appropriately positioned in light of these market conditions. However, rising rates during the fourth quarter of 2016 have increased the sensitivity to falling rates as they now have further to fall. Furthermore, market participants have recently contemplated the possibility of negative rates in the U.S. markets which would likely have a more negative impact on the NIM. In order to mitigate this pressure, we have been deploying cash into short-to-medium duration agency pass-through securities. Additionally, we have used interest rate swaps designated as cash flow hedges to synthetically convert floating-rate assets to fixed-rate. Over time these actions are expected to somewhat reduce our asset sensitivity compared to previous periods, while improving current earnings.

Interest Rate Risk Measurement

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

Net interest income simulation is an estimate of the total net interest income that would be recognized under different rate environments. Net interest income is measured assuming several parallel and nonparallel interest rate

shifts across the yield curve and deposit repricing assumptions, taking into account an estimate of the possible exercise of embedded options within the portfolio (e.g., a borrower's ability to refinance a loan under a lower rate environment). Our policy contains a trigger for a 10% decline in rate sensitive income as well as a risk capacity of a 13% decline if rates were to immediately rise or fall in parallel by 200 bps. This trigger and risk capacity apply to both the fast and the slow deposit interest rate change assumptions.

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

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

Schedule 28
ECONOMIC VALUE OF EQUITY DECLINE LIMITS

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

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

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

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

The aforementioned migration and correlation assumptions result in deposit durations presented in Schedule 29. The Company's models predict an acceleration of deposit runoff in a rising rate environment, particularly for demand deposits. However, the predicted behavior, particularly under the fast assumption, has not been consistent with the higher than average deposit growth observed in 2016 despite rising market rates, and the Company is in the process of enhancing deposit behavior models to more accurately reflect observed and anticipated behavior.

Schedule 29
DEPOSIT ASSUMPTIONS

	December 31, 2016			
	Fast		Slow	
Product	Effective duration (unchanged)	Effective duration (+200 bps)	Effective duration (unchanged)	Effective duration (+200 bps)
Demand deposits	1.8%	1.0%	2.5%	2.0%
Money market	1.3	1.0	1.7	1.5
Savings and interest-on-checking	2.3	1.6	3.0	2.4

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

Schedule 30
INCOME SIMULATION – CHANGE IN NET INTEREST INCOME

	December 31, 2016				
	Parallel shift in rates (in bps)[1]				
Repricing scenario	-100	0	+100	+200	+300
Fast	(3.9)%	—%	2.4%	4.1%	3.8%
Slow	(5.7)	—	5.7	11.5	15.7

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

For comparative purposes, the December 31, 2015 balances are presented in the following schedule.

	December 31, 2015				
	Parallel shift in rates (in bps)[1]				
Repricing scenario	-100	0	+100	+200	+300
Fast	(4.2)%	—%	5.0%	8.6%	11.1%
Slow	(5.0)	—	8.0	15.5	22.2

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

The asset sensitivity as measured by income simulation declined due to deployment of cash into medium-term securities, partially offset by growth in noninterest-bearing deposits.

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

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Schedule 31
CHANGES IN ECONOMIC VALUE OF EQUITY

	December 31, 2016				
	Parallel shift in rates (in bps)[1]				
Repricing scenario	-100 bps	0 bps	+100 bps	+200 bps	+300 bps
Fast	3.5%	—%	(4.6)%	(10.7)%	(17.5)%
Slow	0.2	—	(0.4)	(1.9)	(3.7)

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

For comparative purposes, the December 31, 2015 measures are presented in the following schedule. For positive rate shocks, the decline in EVE measures are driven by the same factors as those in our income simulation.

	December 31, 2015				
	Parallel shift in rates (in bps)[1]				
Repricing scenario	-100 bps	0 bps	+100 bps	+200 bps	+300 bps
Fast	(1.8)%	—%	0.4%	(1.3)%	(4.5)%
Slow	(1.1)	—	3.9	6.1	7.2

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

The change in EVE from December 31, 2015 to December 31, 2016 was primarily driven by growth of the securities portfolio, in which money market investments were reallocated to medium term securities, and the lower modeled duration of nonspecific maturity deposit as shown in Schedule 29. As mentioned previously, the Company has observed discrepancies between actual and modeled behavior for demand deposits and is modifying deposit assumptions appropriately and in a manner consistent with regulatory guidance on model usage and governance. Model Risk Management will independently validate the changes in the interest rate risk model. With respect to EVE estimates, certain of our nonspecific maturity deposit assumptions limit the estimated change in deposit value in downside interest rate shocks. While these deposit value assumptions have had limited impact on our EVE estimates in the past, the current interest rate yield curve, distinguished by very low rates across the curve, is causing these assumptions to have an overstated impact on our EVE estimates. As a result of the current interest rate environment, deposit value assumptions are under review and may change in future reporting periods.

As of December 31, 2016, the EVE for +200bps shift did not adhere to Zions' interest rate risk capacity of -10% under the fast scenario. However, this internal policy breach was not due to an excessive extension of asset duration, but rather was due to a modeled shortening of liability duration. As mentioned previously, the Company recognizes some limitations in its deposit models and expects this violation to return to policy levels as deposit model assumptions are updated and validated.

Our focus on business banking also plays a significant role in determining the nature of the Company's asset-liability management posture. At December 31, 2016, $19.2 billion of the Company's commercial lending and CRE loan balances were scheduled to reprice in the next six months. Of these variable-rate loans 94% are tied to either the prime rate or LIBOR. For these variable-rate loans we have executed $1.4 billion of cash flow hedges by receiving fixed rates on interest rate swaps. Additionally, asset sensitivity is reduced due to $1.1 billion of variable-rate loans being priced at floored rates at December 31, 2016, which were above the "index plus spread" rate by an average of 39 bps. At December 31, 2016, we also had $3.2 billion of variable-rate consumer loans scheduled to reprice in the next six months. Of these variable-rate consumer loans approximately $0.5 billion were priced at floored rates, which were above the "index plus spread" rate by an average of 54 bps.

See Notes 7 and 20 of the Notes to Consolidated Financial Statements for additional information regarding derivative instruments.

Market Risk – Fixed Income

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

At December 31, 2016, we had a relatively small amount, $115 million, of trading assets and $25 million of securities sold, not yet purchased, compared with $48 million and $30 million, at December 31, 2015.

We are exposed to market risk through changes in fair value. We are also exposed to market risk for interest rate swaps used to hedge interest rate risk. Changes in the fair value of AFS securities and in interest rate swaps that qualify as cash flow hedges are included in AOCI for each financial reporting period. During 2016, the after-tax change in AOCI attributable to AFS and HTM securities decreased by $74 million, due largely to changes in the interest rate environment, compared to a $74 million improvement in the same prior year period.

Market Risk – Equity Investments

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

We hold both direct and indirect investments in predominately pre-public companies, primarily through various Small Business Investment Company ("SBIC") venture capital funds. Our equity exposure to these investments was approximately $124 million and $113 million at December 31, 2016 and December 31, 2015, respectively. On occasion, some of the companies within our SBIC investments may issue an initial public offering. In this case, the fund is generally subject to a lockout period before liquidating the investment which can introduce additional market risk. As of December 31, 2016 we had direct SBIC investments of $18 million of publicly-traded stocks.

Additionally, Amegy has an alternative investments portfolio. These investments are primarily directed towards equity buyout and mezzanine funds with a key strategy of deriving ancillary commercial banking business from the portfolio companies. Early stage venture capital funds are generally not a part of the strategy because the underlying companies are typically not creditworthy. The carrying value of Amegy's equity investments was $13 million at December 31, 2016 and $21 million at December 31, 2015.

These PEIs are subject to the provisions of the Dodd-Frank Act. The Volcker Rule of the Dodd-Frank Act prohibits banks and bank holding companies from holding PEIs, except for SBIC funds, beyond July 21, 2017. The FRB announced in December 2016 that it would allow banks to apply for an additional five-year extension to comply with the Dodd-Frank Act requirement for these investments. The Company applied for an extension for the vast majority of its remaining portfolio of PEIs.

As of December 31, 2016, such prohibited PEIs amounted to $6 million, with an additional $4 million of unfunded commitments (see Notes 5 and 17 of the Notes to Consolidated Financial Statements for more information). We currently do not believe that this divestiture requirement will ultimately have a material impact on our financial statements.

Liquidity Risk Management

Overview

Liquidity risk is the possibility that our cash flows may not be adequate to fund our ongoing operations and meet our commitments in a timely and cost-effective manner. Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage our liquidity to provide adequate funds to meet our anticipated financial

and contractual obligations, including withdrawals by depositors, debt and capital service requirements, and lease obligations, as well as to fund customers' needs for credit.

Overseeing liquidity management is the responsibility of ALCO, which implements a Board-adopted corporate Liquidity and Funding Policy. This policy addresses monitoring and maintaining adequate liquidity, diversifying funding positions, and anticipating future funding needs. The policy also includes liquidity ratio guidelines, such as the "time-to-required funding" and LCR, that are used to monitor the liquidity positions of the Parent and ZB, N.A., as well as various stress test and liquid asset measurements for the Parent and ZB, N.A.

The management of liquidity and funding is performed centrally for the Parent and jointly by the Parent and bank management for its subsidiary bank. The Treasury Department performs this management centrally, under the direction of the Corporate Treasurer, with oversight by ALCO. The Treasurer is responsible for recommending changes to existing funding plans, as well as to the Company's Liquidity Policy. These recommendations must be submitted for approval to ALCO, and changes to the Policy also must be approved by the Company's ERMC and the Board of Directors. The Company has adopted policy limits that govern liquidity risk. The policy requires the Company to maintain a buffer of highly liquid assets sufficient to cover cash outflows as the result of a severe liquidity crisis. The Company targets a buffer of highly liquid assets at the Parent to cover 18-24 months of cash outflows under a scenario with limited cash inflows, and maintains a minimum policy limit of not less than 12 months. The Company's banking subsidiary ZB, N.A., exceeds the regulatory requirements of the Modified LCR that mandates a buffer of HQLA to cover 70% of 30-day cash outflows under the assumptions mandated in the Final Liquidity Rule. Additionally, the Company performs monthly liquidity stress testing using a set of internally generated scenarios representing severe liquidity constraints over a 12-month horizon. ZB, N.A. maintains a buffer of highly liquid assets consisting of cash, U.S. Agency, and U.S. Government Sponsored Entity securities to cover 30-day cash outflows under liquidity stress tests and maintains a contingency funding plan to identify funding sources that would be utilized over the extended 12-month horizon. Throughout 2016 and as of December 31, 2016, the Company complied with this policy.

Liquidity Regulation

In September 2014, U.S. banking regulators issued a final rule that implements a quantitative liquidity requirement in the U.S. generally consistent with the LCR minimum liquidity measure established under the Basel III liquidity framework. Under this rule, we are subject to a modified LCR standard, which requires a financial institution to hold an adequate amount of unencumbered High-Quality Liquid Assets ("HQLA") that can be converted into cash easily and immediately in private markets to meet its liquidity needs for a short-term liquidity stress scenario. This rule became applicable to us on January 1, 2016.

The Basel III liquidity framework includes a second minimum liquidity measure, the NSFR, which requires a financial institution to maintain a stable funding profile over a one-year period in relation to the characteristics of its on- and off-balance sheet activities. On October 31, 2014, the Basel Committee on Banking Supervision issued its final standards for this ratio, entitled *Basel III: The Net Stable Funding Ratio.* On May 3, 2016, the FRB issued a proposal requiring bank holding companies with less than $250 billion of assets, but more than $50 billion of assets, to cover 70% of 1-year cash outflows under the assumptions required in the proposed NSFR Rule. Under the proposal, bank holding companies would be required to publicly disclose information about the NSFR levels each quarter. The proposal has an effective date of January 1, 2018. We continue to monitor this proposal and any other developments. Based on this Basel III publication and the FRB proposal, we believe we would meet the minimum NSFR if such requirement were currently effective.

We are required by the Enhanced Prudent Standards for liquidity management (Regulation YY) to conduct monthly liquidity stress tests. These tests incorporate scenarios designed by us, require a buffer of highly liquid assets sufficient to cover 30-day funding needs under the stress scenarios, and are subject to review by the FRB. The Company's internal liquidity stress-testing program as contained in its policy complies with these requirements and includes monthly liquidity stress testing using a set of internally generated scenarios representing severe liquidity constraints over a 12-month horizon. We continue to comply with this regulation.

Contractual Obligations

Schedule 32 summarizes our contractual obligations at December 31, 2016.

Schedule 32
CONTRACTUAL OBLIGATIONS

(In millions)	One year or less	Over one year through three years	Over three years through five years	Over five years	Indeterminable maturity [1]	Total
Deposits	$ 2,140	$ 403	$ 214	$ —	$ 50,479	$ 53,236
Net unfunded commitments to extend credit	5,937	4,909	2,855	4,573	—	18,274
Standby letters of credit:						
Financial	428	49	12	282	—	771
Performance	140	54	1	—	—	195
Commercial letters of credit	60	—	—	—	—	60
Commitments to make venture and other noninterest-bearing investments [2]	26	—	—	—	—	26
Federal funds and other short-term borrowings	827	—	—	—	—	827
Long-term debt	153	—	—	382	—	535
Operating leases, net of subleases	45	79	57	94	—	275
Unrecognized tax benefits	4	—	—	—	—	4
	$ 9,760	$ 5,494	$ 3,139	$ 5,331	$ 50,479	$ 74,203

[1] *Indeterminable maturity deposits include noninterest-bearing demand, savings and money market, and non-time foreign.*

[2] *Commitments to make venture and other noninterest-bearing investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.*

In addition to the commitments specifically noted in Schedule 32, we enter into a number of contractual commitments in the ordinary course of business. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of our business. Generally, these contracts are renewable or cancelable at least annually, although in some cases to secure favorable pricing concessions, we have committed to contracts that may extend to several years.

We also enter into derivative contracts under which we are required either to receive or pay cash, depending on changes in interest rates. These contracts are carried at fair value on the balance sheet with the fair value representing the net present value of the expected future cash receipts and payments based on market rates of interest. The fair value of the contracts changes daily as interest rates change. See Note 7 of the Notes to Consolidated Financial Statements for further information on derivative contracts.

Liquidity Management Actions

Consolidated cash, interest-bearing deposits held as investments, and security resell agreements at the Parent and its subsidiaries decreased to $2.5 billion at December 31, 2016 from $7.4 billion at December 31, 2015. The $4.9 billion decrease during 2016 resulted primarily from (1) an increase in investment securities, (2) Net loan originations, (3) repayment of long-term debt, (4) repurchase and redemption of our preferred stock, (5) repurchase and retirement of our common stock, and (6) dividends on common and preferred stock. These decreases were partially offset by (1) an increase in deposits, (2) net cash provided by operating activities and (3) short-term FHLB borrowings.

During 2016 our AFS and HTM investment securities increased by $6.1 billion. This increase was primarily due to purchases of short-to-medium duration agency guaranteed mortgage-backed securities. We have been adding to our investment portfolio during the last couple of years in light of the new LCR rules and more broadly, to manage balance sheet liquidity more effectively.

During 2016 we made cash payments totaling $280 million for our long-term debt which matured or were redeemed and did not incur any new long-term debt during the same time period. See Note 12 for additional detail about debt redemptions and maturities during 2016. We also incurred short-term debt with the FHLB during 2016, and had a $500 million outstanding balance at December 31, 2016.

Parent Company Liquidity – The Parent's cash requirements consist primarily of debt service, investments in and advances to subsidiaries, operating expenses, income taxes, and dividends to preferred and common shareholders. The Parent's cash needs are usually met through dividends from its subsidiaries, interest and investment income, subsidiaries' proportionate shares of current income taxes, and long-term debt and equity issuances.

Cash and interest-bearing deposits held as investments at the Parent decreased to $0.5 billion at December 31, 2016 from $0.9 billion at December 31, 2015. The $0.4 billion decrease during 2016 was primarily a result of (1) repayment of long-term debt, (2) repurchase and redemption of our preferred stock, (3) repurchase and retirement of our common stock, and (4) dividends on preferred stock and common stock. These decreases were partially offset by (1) dividends and return of common equity received from its subsidiary banks on common stock and preferred stock, and (2) net cash provided by operating activities. See Notes 12 and 13 of the Notes to Consolidated Financial Statements for additional information about our long-term debt and equity transactions.

During 2016, the Parent received common dividends and return of common equity totaling $250 million and preferred dividends totaling $13 million from its subsidiary bank. During 2015, the Parent received from its subsidiary banks $192 million for common dividends and return of common equity and $42 million for preferred dividends. At December 31, 2016, ZB, N.A., had $626 million available for the payment of dividends under current capital regulations. The dividends that ZB, N.A. can pay to the Parent are restricted by current and historical earning levels, retained earnings, and risk-based and other regulatory capital requirements and limitations.

General financial market and economic conditions impact our access to, and cost of, external financing. Access to funding markets for the Parent and subsidiary bank is also directly affected by the credit ratings received from various rating agencies. The ratings not only influence the costs associated with the borrowings, but can also influence the sources of the borrowings. The debt ratings and outlooks issued by the various rating agencies for the Company and ZB N.A. improved during 2016 and are shown in the following schedules.

Schedule 33 presents the ZB, N.A.'s ratings as of December 31, 2016.

Schedule 33
CREDIT RATINGS

Rating agency	Outlook	Long-term issuer/senior debt rating	Short-term debt rating
S&P	Stable	BBB	A-2
Moody's	Stable	Ba1	P-2
Kroll	Stable	BBB+	K2

Schedule 34 presents the Parent's ratings as of December 31, 2016.

Schedule 34
CREDIT RATINGS

Rating agency	Outlook	Long-term issuer/senior debt rating	Subordinated debt rating
S&P	Stable	BBB-	BB+
Moody's	Stable	Baa3	
Kroll	Stable	BBB	BBB-

The credit rating agencies all rate the Company's senior debt at an investment-grade level. In addition, Kroll rates the Company's subordinated debt at an investment-grade level, while S&P rates the Company's subordinated debt

as noninvestment-grade. Subsequent to December 31, 2016, S&P changed its outlook for both the Parent and ZB, N.A. from Stable to Positive.

The Parent's cash payments for interest, reflected in operating expenses, decreased to $35 million in 2016 from $51 million in 2015 as a result of a net repayment of long-term debt of $0.3 billion during both 2016 and 2015. Cash payments for interest are expected to continue to decrease during 2017 from 2016 as a result of the debt repayments during 2016 and 2017. Additionally, the Parent paid approximately $108 million of total dividends on preferred stock and common stock for both 2016 and 2015.

Note 23 of the Notes to Consolidated Financial Statements contains the Parent's statements of income and cash flows for 2016, 2015 and 2014, as well as its balance sheets at December 31, 2016 and 2015.

During 2017, the Parent's long-term debt maturities consist of $152 million for a senior note due on March 27, 2017. At December 31, 2016, maturities of our long-term senior and subordinated debt ranged from March 2017 to September 2028, with effective interest rates from 4.50% to 6.95%.

See Note 12 of the Notes to Consolidated Financial Statements for a complete summary of our long-term debt.

Subsidiary Bank Liquidity – ZB, N.A.'s primary source of funding is its core deposits, consisting of demand, savings and money market deposits, and time deposits under $250,000. On a consolidated basis, the Company's loan to total deposit ratio was 80.1% as of December 31, 2016, compared to 80.7% as of December 31, 2015. Total deposits increased by $2.8 billion to $53.2 billion at December 31, 2016, compared to $50.4 billion at December 31, 2015, primarily due to a $1.8 billion increase in noninterest-bearing demand deposits, a $0.7 billion increase in savings and money market deposits, and a $0.6 billion increase in time deposits. This increase was partially offset by a $0.3 billion decrease in foreign deposits. Also, during 2016, ZB, N.A. redeployed approximately $6.6 billion of cash to short-to-medium duration agency guaranteed mortgage-backed securities. ZB, N.A.'s long-term senior debt ratings are presented in Schedule 33, and are slightly better than the Parent's long-term senior debt ratings.

The FHLB system and Federal Reserve Banks have been and are a source of back-up liquidity, and from time to time, have been a significant source of funding. ZB, N.A. is a member of the FHLB of Des Moines. The FHLB allows member banks to borrow against their eligible loans and securities to satisfy liquidity and funding requirements. The bank is required to invest in FHLB and Federal Reserve stock to maintain their borrowing capacity.

At December 31, 2016, the amount available for additional FHLB and Federal Reserve borrowings was approximately $17.1 billion. Loans with a carrying value of approximately $24.0 billion at December 31, 2016 have been pledged at the Federal Reserve and the FHLB of Des Moines as collateral for current and potential borrowings. At December 31, 2016, we had $500 million of short-term FHLB borrowings outstanding and no long-term FHLB or Federal Reserve borrowings outstanding, compared with no short or long-term FHLB or Federal Reserve borrowings outstanding at December 31, 2015. At December 31, 2016, our total investment in FHLB and Federal Reserve stock was $30 million and $181 million, respectively, compared to $68 million and $123 million at December 31, 2015, respectively. As a result of our initiative to consolidate our charters into a single charter, the Company has shares in a single FHLB (Des Moines). Historically, each affiliate bank held shares in different FHLBs, but all of the stock we owned in the other FHLBs have been redeemed. The $58 million increase in Federal Reserve stock is because several state-chartered banks were not required to hold stock with the FRB, and following the consolidation, the capital requirements for ZB, N.A. increased as did our investment in FRB stock.

Our investment activities can provide or use cash, depending on the asset-liability management posture taken. During 2016, HTM & AFS investment securities' activities resulted in a net increase in investment securities and a net $5.9 billion decrease in cash compared with a net $3.8 billion decrease in cash for 2015.

Maturing balances in our subsidiary bank's loan portfolios also provide additional flexibility in managing cash flows. Lending activity for 2016 resulted in a net cash outflow of $2.1 billion compared to a net cash outflow of $0.6 billion for 2015.

During 2016, we paid income taxes of $214 million, compared to $132 million during 2015.

Operational Risk Management

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

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

We are continually improving our oversight of operational risk, including enhancement of risk identification, risk and control self-assessments, and antifraud measures, which are reported on a regular basis to enterprise management committees. The Operational Risk Committee reports to the ERMC, which reports to the ROC. Additional measures have been taken to increase oversight by ERM and Operational Risk Management through the strengthening of new initiative reviews, enhancements to the Enterprise Procurement and Third Party Risk Management framework, enhancements to the Business Continuity and Disaster Recovery programs and Enterprise Security programs, and the establishment of Fraud Risk Oversight, Incident Response Oversight and Technology Project Oversight programs. Significant enhancements have also been made to governance, technology, and reporting, including the establishment of Policy and Committee Governance programs, the commencement of an implementation of a governance, risk and control solution, and the creation of an Enterprise Risk Profile and an Operational Risk Profile along with business line risk profiles. In addition, the establishment of an Enterprise Exam Management department has standardized our response and reporting, and increased our effectiveness and efficiencies with regulatory examinations, communications and issues management.

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

CAPITAL MANAGEMENT

Overview

The Board of Directors is responsible for approving the policies associated with capital management. The Board has established the Capital Management Committee ("CMC"), chaired by the Chief Financial Officer and consisting of members of management, whose primary responsibility is to recommend and administer the approved capital policies that govern the capital management of the Company and its subsidiary bank. Other major CMC responsibilities include:

- Setting overall capital targets within the Board-approved capital policy, monitoring performance compared to the Company's Capital Policy limits, and recommending changes to capital including dividends, common stock repurchases, subordinated debt, and changes in major strategies to maintain the Company and its subsidiary bank at well-capitalized levels;
- Maintaining an adequate capital cushion to withstand adverse stress events while continuing to meet the borrowing needs of its customers, and to provide reasonable assurance of continued access to wholesale funding, consistent with fiduciary responsibilities to depositors and bondholders; and
- Reviewing agency ratings of the Parent and ZB, N.A.

The Company has a fundamental financial objective to consistently produce superior risk-adjusted returns on its shareholders' capital. We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence. Specifically, it is the policy of the Parent and ZB, N.A. to:

- Maintain sufficient capital to support current needs;
- Maintain an adequate capital cushion to withstand future adverse stress events while continuing to meet borrowing needs of its customers; and
- Meet fiduciary responsibilities to depositors and bondholders while managing capital distributions to shareholders through dividends and repurchases of common stock so as to be consistent with Federal Reserve guidelines SR 09-04 and 12 U.S.C §§ 56 and 60.

Capital Planning and Stress Testing

The CMC oversees the Company's capital stress testing under a variety of adverse economic and market scenarios. We have established processes to periodically conduct stress tests to evaluate potential impacts to the Company under hypothetical economic scenarios. These stress tests facilitate our contingency planning and management of capital and liquidity within quantitative limits reflecting the Board of Directors' risk appetite. These processes are also used to complete the Company's DFAST, as required by the Dodd-Frank Act, and the CCAR as required by the Federal Reserve.

Filing a capital plan with the Federal Reserve based on stress testing and documented sound policies, processes, models, controls, and governance practices, and the subsequent review by the Federal Reserve, is an annual regulatory requirement. This capital plan, which is subject to objection by the Federal Reserve, governs all of the Company's capital and significant unsecured debt financing actions for a period of five quarters. Among the actions governed by the capital plan are the repurchase of outstanding capital securities and the timing of new capital issuances, and whether the Company can pay or increase dividends. Any such action not included in a capital plan to which the Federal Reserve has not objected cannot be executed without submission of a revised stress test and capital plan for Federal Reserve review and non-objection; de minimis changes are allowed without a complete plan resubmission, subject to receipt of a Federal Reserve non-objection. Regulations require Company disclosure of these stress tests results.

A detailed discussion of CCAR/DFAST requirements is contained on page 10 of the "Capital Plan and Stress Testing" section under Part 1, Item 1 in this Annual Report on Form 10-K.

On June 23, 2016, we filed a Form 8-K presenting the results of the 2016 DFAST. The results of the stress test demonstrated that the Company has sufficient capital to withstand a severe hypothetical economic downturn. Detailed disclosure of the stress test results can also be found on our website. In addition, we submitted on October

5, 2016 our mid-cycle company-run DFAST, based upon the Company's June 30, 2016 financial position. Zions' mid-cycle DFAST results, based on the hypothetical severely adverse scenario, indicate the Company would maintain capital ratios at sufficient levels throughout the nine-quarter forecasting horizon. As discussed in the mid-cycle press release, published November 4, 2016, Zions' hypothetical severely adverse scenario was designed to create a stressful idiosyncratic environment, including a 10% unemployment rate and a 40% decline in commercial property values. During the nine-quarter projection period, the minimum CET1 ratio was 7.8%.

On June 29, 2016, we filed a Form 8-K announcing that the Federal Reserve did not object to our 2016 capital plan. The plan included (1) the increase of the quarterly common dividend to $0.08 per share beginning in the third quarter of 2016, (2) up to $180 million in total repurchases of common equity and (3) up to $144 million in total repurchases of preferred equity. These capital actions are expected to reduce preferred dividends and improve the Company's return on equity.

In July 2016, we announced that our board of directors approved (1) a quarterly dividend of $0.08 per common share in August 2016 and (2) the commencement of a stock repurchase program, including $45 million in the third quarter of 2016. See subsequent discussion regarding the repurchases of Company common stock. The ultimate determination of future reductions of common stock and/or preferred stock will depend on a number of factors, including actual earnings performance, market conditions, and the receptivity of investors to the terms of any preferred stock redemption offers, as well as the effect of other steps we may explore as we seek to manage our capital, any of which could result in a delay of or reduction in the amount of common or preferred equity redemptions, repurchases, or dividend increases.

On April 25, 2016, we launched tender offers for up to $120 million par amount of certain outstanding shares of preferred stock. This $120 million is the remaining amount of the $300 million total reduction of preferred stock that was included in our 2015 capital plan, to which the Federal Reserve did not object. On May 23, 2016, we announced the results of the preferred stock tender offers. Preferred stock was reduced by $119 million, including $27 million, $59 million, and $33 million for Series I, J, and G, respectively. As a result of the preferred stock redemption in 2016, preferred dividends are expected to be $10.4 million for the first quarter of 2017 and $12.4 million for the second quarter of 2017. Our preferred stock may decrease further if we redeem $144 million of preferred equity, as authorized by our 2016 capital plan.

Basel III

The Basel III capital rules, which effectively replaced the Basel I rules, became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components). The Basel III capital rules will be fully phased-in on January 1, 2019. In 2013, the FRB, FDIC, and OCC published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company, compared to the Basel I U.S. risk-based capital rules.

A detailed discussion of Basel III requirements, including implications for the Company, is contained on page 9 of the "Capital Standards – Basel Framework" section under Part 1, Item 1 in this Annual Report on Form 10-K.

We met all capital adequacy requirements under the Basel III Capital Rules based upon phase-in rules as of December 31, 2016, and believe that we would meet all capital adequacy requirements on a fully phased-in basis if such requirements were currently effective.

Capital Management Actions

Total shareholders' equity increased by 1.7% from $7.5 billion at December 31, 2015 to $7.6 billion at December 31, 2016. The increase in total shareholders' equity is primarily due to net income of $469 million, partially offset by $126 million paid to repurchase and redeem a portion of our preferred stock, $108 million of dividends paid on preferred stock and common stock, repurchases of our common stock totaling $90 million, and a $74 million decline in the fair value of our AFS securities portfolio due largely to changes in the interest rate

environment. During the first quarter of 2017, we repurchased an additional $45 million of common stock at an average price of $42.43 per share, leaving $45 million of buyback capacity remaining in the 2016 capital plan (which spans the timeframe of July 2016 to June 2017).

During the latter part of 2016, the market price of our common stock increased above the exercise price of common stock warrants on our common stock. As of December 31, 2016 we have 5.8 million common stock warrants at an exercise price of $36.27 per share which expire on November 14, 2018 and 29.3 million common stock warrants at an exercise price of $35.82 which expire on May 22, 2020. See Note 13 of the Notes to Consolidated Financial Statements for more information on our common stock warrants. Although there was no effect on our diluted shares for the full 2016 year, the increase in the market price of our common stock did increase our diluted shares for the fourth quarter of 2016, and will increase our diluted shares in 2017 if the market price continues to remain higher than the exercise price of the warrants. Schedule 35 presents the diluted shares from common stock warrants at various Zions Bancorporation common stock market prices as of February 16, 2017, excluding the effect of the change in exercise cost and warrant share multiplier from the payment of common stock dividends.

Schedule 35
IMPACT OF COMMON STOCK WARRANTS

Assumed Zions Bancorporation Common Stock Market Price	Diluted Shares (000s)
$ 35.00	0
40.00	4,357
45.00	7,849
50.00	10,642
55.00	12,928

The common dividend rate was increased to $0.08 per share during the third quarter of 2016 from $0.06 per share paid since the second quarter of 2015. We paid $57.8 million in dividends on common stock during 2016, compared to $45.2 million during 2015. During its January 2017 meeting, the Board of Directors declared a dividend of $0.08 per common share payable on February 23, 2017 to shareholders of record on February 16, 2017.

We paid preferred stock dividends of $50.1 million and $62.9 million during 2016 and 2015, respectively. We also recorded a one-time $9.8 million reduction to net earnings applicable to common shareholders as a result of the preferred stock redemption during 2016.

Banking organizations are required by capital regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. The Company’ capital ratios as of December 31, 2016 and 2015 under Basel III and December 31, 2014 under Basel I are shown in Schedule 36.

Schedule 36
CAPITAL AND PERFORMANCE RATIOS

	2016	2015	2014
Tangible common equity ratio[1]	9.49%	9.63%	9.48%
Tangible equity ratio[1]	10.63	11.05	11.27
Average equity to average assets	12.77	13.03	12.57
Basel III risk-based capital ratios[2]:			
Common equity tier 1 capital	12.07	12.22	
Tier I leverage	11.09	11.26	
Tier 1 risk-based	13.49	14.08	
Total risk-based	15.24	16.12	
Basel 1 risk-based capital ratios:			
Tier 1 common			11.92
Tier 1 leverage			11.82
Tier 1 risk-based			14.47
Total risk-based			16.27
Return on average common equity	5.95	3.75	5.42
Tangible return on average tangible common equity[1]	7.07	4.55	6.70

[1] *See "GAAP to Non-GAAP Reconciliations" on page 28 for more information regarding these ratios.*

[2] *Based on the applicable phase-in periods.*

Note 18 of the Notes to Consolidated Financial Statements provides additional information on risk-based capital.

At December 31, 2016, Basel III regulatory tier 1 risk-based capital and total risk-based capital was $6.7 billion and $7.6 billion, respectively, compared with $6.6 billion and $7.5 billion, respectively, at December 31, 2015.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

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

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

Fair Value Estimates

We measure or monitor many of our assets and liabilities on a fair value basis. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To increase consistency and comparability in fair value measurements, GAAP has established a three-level hierarchy to

prioritize the valuation inputs among (1) observable inputs that reflect quoted prices in active markets, (2) inputs other than quoted prices with observable market data, and (3) unobservable data such as the Company's own data or single dealer nonbinding pricing quotes.

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

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

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

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

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

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

Investment securities are valued using several methodologies, which depend on the nature of the security, availability of current market information, and other factors. Investment securities in an unrealized loss position are formally reviewed on a quarterly basis for the presence of other than temporary impairment ("OTTI"). OTTI is considered to have occurred if its fair value is below amortized cost and (1) we intend to sell the security, or (2) it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis, or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. The "more likely than not" criterion is a lower threshold than the "probable" criterion.

Notes 1, 5, 7, 9, and 20 of the Notes to Consolidated Financial Statements and the "Investment Securities Portfolio" on page 50 contain further information regarding the use of fair value estimates.

Allowance for Credit Losses

The ACL includes the ALLL and the RULC. The ALLL represents management's estimate of probable losses believed to be inherent in the loan portfolio. The determination of the appropriate level of the allowance is based on periodic evaluations of the portfolios. This process includes both quantitative and qualitative analyses, as well as a qualitative review of the results. The qualitative review requires a significant amount of judgment, and is described in more detail in Note 6 of the Notes to Consolidated Financial Statements.

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

Numerous components enter into the evaluation of the ALLL. Although we believe that our processes for determining an appropriate level for the allowance adequately address the various components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates could require an additional provision for credit losses. As an example, if the probability of default risk grade for all pass-graded commercial and CRE loans was immediately downgraded one grade on our internal risk grading scale, the quantitatively determined amount of the ALLL at December 31, 2016 would increase by approximately $109 million. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in risk grades may have on the allowance estimate.

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

Note 6 of the Notes to Consolidated Financial Statements and "Credit Risk Management" on page 55 contains further information and more specific descriptions of the processes and methodologies used to estimate the ACL.

Accounting for Goodwill

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

To determine the fair value, we generally use a combination of up to three separate methods: comparable publicly-traded financial service companies (primarily banks and bank holding companies) in the Western and Southwestern states ("Market Value"); where applicable, comparable acquisitions of financial services companies in the Western and Southwestern states ("Transaction Value"); and the discounted present value of management's estimates of future cash flows. Critical assumptions that are used as part of these calculations include:

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

We apply a control premium in the Market Value approach to determine the reporting units' equity values. Control premiums represent the ability of a controlling shareholder to change how the Company is managed and can cause the fair value of a reporting unit as a whole to exceed its market capitalization. Based on a review of historical bank acquisition transactions within the Company's geographic footprint, and a comparison of the target banks' market values 30 days prior to the announced transaction to the deal value, we have determined that a control premium ranging from 0% to 25% for the reporting units was appropriate at the most recent test date.

Since estimates are an integral part of the impairment computations, changes in these estimates could have a significant impact on any calculated impairment amount. Estimates include economic conditions, which impact the

assumptions related to interest and growth rates, loss rates and imputed cost of equity capital. The fair value estimates for each reporting unit incorporate current economic and market conditions, including Federal Reserve monetary policy expectations and the impact of legislative and regulatory changes. Additional factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, loan losses, changes in growth trends, cost structures and technology, changes in equity market values and merger and acquisition valuations, and changes in industry conditions.

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

During the fourth quarter of 2016, we performed our annual goodwill impairment evaluation of the entire organization, effective October 1, 2016. Upon completion of the evaluation process, we concluded that none of our reporting units was impaired. Furthermore, the evaluation process determined that the fair values of Amegy, CB&T, and Zions Bank exceeded their carrying values by 16%, 30%, and 52%, respectively. Additionally, we performed a hypothetical sensitivity analysis on the discount rate assumption to evaluate the impact of an adverse change to this assumption. If the discount rate applied to future earnings were increased by 100bps, the fair values of Amegy, CB&T, and Zions Bank would exceed their carrying values by 14%, 28%, and 47%, respectively.

Income Taxes

We are subject to the income tax laws of the United States, its states and other jurisdictions where we conduct business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these laws and related regulations. In the process of preparing the Company’s tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to reinterpretation based on management’s ongoing assessment of facts and evolving case law.

We had net DTAs of $250 million at December 31, 2016, compared with $203 million at December 31, 2015. The most significant portions of the deductible temporary differences relate to (1) the ALLL, (2) fair value adjustments or impairment write-downs related to securities, (3) pension and postretirement obligations, and (4) deferred compensation arrangements. No valuation allowance has been recorded as of December 31, 2016 related to DTAs except for a full valuation reserve related to certain acquired net operating losses from an immaterial nonbank subsidiary. In assessing the need for a valuation allowance, both the positive and negative evidence about the realization of DTAs were evaluated. The ultimate realization of DTAs is based on the Company’s ability to (1) carry back net operating losses to prior tax periods, (2) utilize the reversal of taxable temporary differences to offset deductible temporary differences, (3) implement tax planning strategies that are prudent and feasible, and (4) generate future taxable income.

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

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are also reassessed on a regular basis. Reserves for contingent tax liabilities are reviewed quarterly for adequacy based upon developments in tax law and the status of examinations or audits. We have tax reserves at December 31, 2016 of approximately $3.5 million, net of federal and/or state benefits, primarily relating to uncertain tax positions for tax credits on technology initiatives.

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

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this Item is included in "Interest Rate and Market Risk Management" in MD&A beginning on page 68 and is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Zions Bancorporation and subsidiaries ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined by Exchange Act Rules 13a-15 and 15d-15.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, we believe our system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

The Company's management has used the criteria established in Internal Control – Integrated Framework (2013 framework) issued by the COSO to evaluate the effectiveness of the Company's internal control over financial reporting.

The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Company's internal control over financial reporting that have been identified by the Company's management.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the year ended December 31, 2016 and has also issued an attestation report, which is included herein, on internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB").

REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries

We have audited Zions Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Zions Bancorporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Zions Bancorporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Zions Bancorporation and subsidiaries and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
February 27, 2017

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Audit Committee of the Board of Directors and Shareholders of Zions Bancorporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Zions Bancorporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Zions Bancorporation and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Zions Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Salt Lake City, Utah
February 27, 2017

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)	December 31,	
	2016	2015
ASSETS		
Cash and due from banks	$ 737,327	$ 798,319
Money market investments:		
Interest-bearing deposits	1,410,852	6,108,124
Federal funds sold and security resell agreements	568,334	619,758
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value $850,473 and $552,088)	867,904	545,648
Available-for-sale, at fair value	13,372,194	7,643,116
Trading account, at fair value	114,803	48,168
	14,354,901	8,236,932
Loans held for sale	171,934	149,880
Loans and leases, net of unearned income and fees	42,649,265	40,649,542
Less allowance for loan losses	567,522	606,048
Loans, net of allowance	42,081,743	40,043,494
Other noninterest-bearing investments	884,407	848,144
Premises, equipment and software, net	1,019,508	905,462
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	8,420	16,272
Other real estate owned	4,255	7,092
Other assets	983,355	916,937
	$ 63,239,165	$ 59,664,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	$ 24,115,112	$ 22,276,664
Interest-bearing:		
Savings and money market	26,363,908	25,672,356
Time	2,756,810	2,130,680
Foreign	—	294,391
	53,235,830	50,374,091
Federal funds and other short-term borrowings	827,269	346,987
Long-term debt	534,850	812,366
Reserve for unfunded lending commitments	64,911	74,838
Other liabilities	941,999	548,742
Total liabilities	55,604,859	52,157,024
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	709,601	828,490
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 203,085,100 and 204,417,093 shares	4,724,715	4,766,731
Retained earnings	2,321,571	1,966,910
Accumulated other comprehensive income (loss)	(121,581)	(54,612)
Total shareholders' equity	7,634,306	7,507,519
	$ 63,239,165	$ 59,664,543

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Year Ended December 31,		
	2016	2015	2014
Interest income:			
Interest and fees on loans	$ 1,728,706	$ 1,686,220	$ 1,729,652
Interest on money market investments	21,688	23,165	21,414
Interest on securities	203,920	124,086	101,936
Total interest income	1,954,314	1,833,471	1,853,002
Interest expense:			
Interest on deposits	49,247	49,344	49,736
Interest on short- and long-term borrowings	37,719	68,867	123,262
Total interest expense	86,966	118,211	172,998
Net interest income	1,867,348	1,715,260	1,680,004
Provision for loan losses	92,775	40,035	(98,082)
Net interest income after provision for loan losses	1,774,573	1,675,225	1,778,086
Noninterest income:			
Service charges and fees on deposit accounts	171,185	168,451	168,291
Other service charges, commissions and fees	207,666	186,907	178,053
Wealth management income	37,434	31,224	30,573
Loan sales and servicing income	35,466	30,731	29,154
Capital markets and foreign exchange	21,713	25,655	22,584
Dividends and other investment income	24,053	30,150	43,662
Fair value and nonhedge derivative income (loss)	2,206	(111)	(11,390)
Equity securities gains, net	7,168	11,875	13,471
Fixed income securities gains (losses), net	102	(138,735)	10,419
Impairment losses on investment securities	—	—	(27)
Less amounts recognized in other comprehensive income	—	—	—
Net impairment losses on investment securities	—	—	(27)
Other	8,616	11,094	7,914
Total noninterest income	515,609	357,241	492,704
Noninterest expense:			
Salaries and employee benefits	982,531	972,712	956,411
Occupancy, net	125,273	119,529	115,701
Furniture, equipment and software, net	124,677	123,196	115,312
Other real estate expense, net	(1,597)	(647)	(1,251)
Credit-related expense	25,671	28,541	28,134
Provision for unfunded lending commitments	(9,927)	(6,238)	(8,629)
Professional and legal services	55,094	50,421	66,011
Advertising	22,143	25,314	25,100
FDIC premiums	39,675	34,422	32,174
Amortization of core deposit and other intangibles	7,853	9,247	10,923
Debt extinguishment cost	353	2,530	44,422
Other	213,528	221,580	265,059
Total noninterest expense	1,585,274	1,580,607	1,649,367
Income before income taxes	704,908	451,859	621,423
Income taxes	235,858	142,388	222,961
Net income	469,050	309,471	398,462
Preferred stock dividends	(47,982)	(62,857)	(71,894)
Preferred stock redemption	(9,759)	—	—
Net earnings applicable to common shareholders	$ 411,309	$ 246,614	$ 326,568
Weighted average common shares outstanding during the year:			
Basic shares	203,855	203,265	192,207
Diluted shares	204,269	203,698	192,789
Net earnings per common share:			
Basic	$ 2.00	$ 1.20	$ 1.68
Diluted	1.99	1.20	1.68

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Net income	$ 469,050	$ 309,471	$ 398,462
Other comprehensive income (loss), net of tax:			
Net unrealized holding gains (losses) on investment securities	(73,985)	(23,409)	82,204
Reclassification of HTM securities to AFS securities	—	10,938	—
Reclassification to earnings for realized net fixed income securities losses (gains)	(63)	86,023	(6,447)
Reclassification to earnings for net credit-related impairment losses on investment securities	—	—	17
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	—	1,111
Net unrealized gains (losses) on other noninterest-bearing investments	2,100	(2,552)	(390)
Net unrealized holding gains on derivative instruments	4,993	7,455	2,664
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(7,000)	(5,583)	(1,605)
Pension and postretirement	6,986	557	(13,494)
Other comprehensive income (loss)	(66,969)	73,429	64,060
Comprehensive income	402,081	382,900	462,522

See accompanying notes to consolidated financial statements.

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

(In thousands, except shares and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
		Shares	Amount			
Balance at December 31, 2013	$ 1,003,970	184,677,696	$ 4,179,024	$ 1,473,670	$ (192,101)	$ 6,464,563
Net income				398,462		398,462
Other comprehensive income, net of tax					64,060	64,060
Subordinated debt converted to preferred stock	41		(7)			34
Issuance of common stock		17,617,450	515,856			515,856
Net activity under employee plans and related tax benefits		719,757	28,982			28,982
Dividends on preferred stock				(71,894)		(71,894)
Dividends on common stock, $0.16 per share				(31,216)		(31,216)
Change in deferred compensation				683		683
Balance at December 31, 2014	1,004,011	203,014,903	4,723,855	1,769,705	(128,041)	7,369,530
Net income				309,471		309,471
Other comprehensive income, net of tax					73,429	73,429
Preferred stock redemption	(175,669)		3,069	(3,449)		(176,049)
Subordinated debt converted to preferred stock	148		(44)			104
Net activity under employee plans and related tax benefits		1,402,190	39,851			39,851
Dividends on preferred stock				(62,857)		(62,857)
Dividends on common stock, $0.22 per share				(45,133)		(45,133)
Change in deferred compensation				(827)		(827)
Balance at December 31, 2015	828,490	204,417,093	4,766,731	1,966,910	(54,612)	7,507,519
Net income				469,050		469,050
Other comprehensive income, net of tax					(66,969)	(66,969)
Preferred stock redemption	(118,889)		2,504	(9,759)		(126,144)
Common stock redeemed and retired		(2,888,946)	(90,057)			(90,057)
Net activity under employee plans and related tax benefits		1,556,953	45,537			45,537
Dividends on preferred stock				(47,982)		(47,982)
Dividends on common stock, $0.28 per share				(57,677)		(57,677)
Change in deferred compensation				1,029		1,029
Balance at December 31, 2016	$ 709,601	203,085,100	$ 4,724,715	$ 2,321,571	$ (121,581)	$ 7,634,306

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 469,050	$ 309,471	$ 398,462
Adjustments to reconcile net income to net cash provided by operating activities:			
Debt extinguishment cost	353	2,530	44,422
Provision for credit losses	82,848	33,797	(106,711)
Depreciation and amortization	123,086	85,878	57,691
Fixed income securities losses (gains), net	(102)	138,735	(10,419)
Deferred income tax expense (benefit)	(8,442)	(29,803)	25,938
Net decrease (increase) in trading securities	(66,635)	22,453	(36,045)
Net decrease (increase) in loans held for sale	972	(5,978)	38,610
Change in other liabilities	1,194	(5,759)	42,636
Change in other assets	(9,609)	(67,260)	(50,956)
Other, net	3,352	(19,712)	(23,287)
Net cash provided by operating activities	596,067	464,352	380,341
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease (increase) in money market investments	4,748,696	1,836,506	(105,066)
Proceeds from maturities and paydowns of investment securities held-to-maturity	93,306	123,178	108,404
Purchases of investment securities held-to-maturity	(415,654)	(61,036)	(164,704)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	3,787,309	1,681,280	1,779,327
Purchases of investment securities available-for-sale	(9,358,633)	(5,513,366)	(1,794,525)
Net change in loans and leases	(2,101,518)	(562,827)	(1,005,171)
Purchases of premises and equipment	(195,663)	(157,361)	(175,799)
Proceeds from sales of other real estate owned	20,146	24,806	54,056
Other, net	(14,243)	48,919	34,916
Net cash used in investing activities	(3,436,254)	(2,579,901)	(1,268,562)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	2,883,322	2,526,016	1,485,192
Net change in short-term funds borrowed	480,282	102,764	(96,125)
Repayments of long-term debt	(280,120)	(287,752)	(1,223,275)
Debt extinguishment costs paid	(353)	(2,530)	(35,435)
Company common stock repurchased and retired	(97,240)	(6,681)	(5,589)
Cash paid for preferred stock redemptions	(126,144)	(175,669)	—
Proceeds from the issuances of common and preferred stock	25,072	22,392	526,438
Dividends paid on common and preferred stock	(107,851)	(108,055)	(96,130)
Other, net	2,227	1,441	2,030
Net cash provided by financing activities	2,779,195	2,071,926	557,106
Net decrease in cash and due from banks	(60,992)	(43,623)	(331,115)
Cash and due from banks at beginning of year	798,319	841,942	1,173,057
Cash and due from banks at end of year	$ 737,327	$ 798,319	$ 841,942
Cash paid for interest	$ 83,338	$ 101,623	$ 152,783
Net cash paid for income taxes	214,300	131,665	182,954

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Zions Bancorporation ("the Parent") is a financial holding company headquartered in Salt Lake City, Utah, which owns and operates a commercial bank. The Parent and its subsidiaries (collectively "the Company") provide a full range of banking and related services in 11 Western and Southwestern states through seven separately managed and branded units as follows: Zions Bank, in Utah, Idaho and Wyoming; California Bank & Trust ("CB&T"); Amegy Bank ("Amegy"), in Texas; National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; and The Commerce Bank of Washington ("TCBW") which operates under that name in Washington and under the name The Commerce Bank of Oregon ("TCBO") in Oregon. Pursuant to a Board resolution adopted November 21, 2014, The Commerce Bank of Oregon merged into TCBW effective March 31, 2015. The Parent also owns and operates certain nonbank subsidiaries that engage in financial services.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Parent and its majority-owned subsidiaries ("the Company," "we," "our," "us"). Unconsolidated investments where we have the ability to exercise significant influence over the operating and financial policies of the respective investee are accounted for using the equity method of accounting; those that are not consolidated or accounted for using the equity method of accounting are accounted for under cost or fair value accounting. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and prevailing practices within the financial services industry. References to GAAP, including standards promulgated by the Financial Accounting Standards Board ("FASB"), are made according to sections of the Accounting Standards Codification ("ASC"). Changes to the ASC are made with Accounting Standards Updates ("ASU") that include consensus issues of the Emerging Issues Task Force ("EITF"). In certain cases, ASUs are issued jointly with International Financial Reporting Standards.

In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not affect net income or shareholders' equity.

Variable Interest Entities

A variable interest entity ("VIE") is consolidated when a company is the primary beneficiary of the VIE. Current accounting guidance requires continuous analysis on a qualitative rather than a quantitative basis to determine the primary beneficiary of a VIE. At the commencement of our involvement and periodically thereafter, we consider our consolidation conclusions for all entities with which we are involved. As of December 31, 2016 and 2015, no VIEs have been consolidated in the Company's financial statements.

Statement of Cash Flows

For purposes of presentation in the consolidated statements of cash flows, "cash and cash equivalents" are defined as those amounts included in cash and due from banks in the consolidated balance sheets.

Security Resell Agreements

Security resell agreements represent overnight and term agreements with the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which

the securities were acquired plus accrued interest. Either the Company, or in some instances third parties on its behalf, take possession of the underlying securities. The fair value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for security resell agreements. If sold, our obligation to return the collateral is recorded as "securities sold, not yet purchased" and included as a liability in "Federal funds and other short-term borrowings." At December 31, 2016, we held $347 million of securities for which we were permitted by contract to sell or repledge. Security resell agreements averaged $464 million during 2016, and the maximum amount outstanding at any month-end during 2016 was $2.2 billion.

Investment Securities

We classify our investment securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held-to-maturity ("HTM") debt securities are carried at amortized cost with purchase discounts or premiums accreted or amortized into interest income over the contractual life of the security. The Company has the intent and ability to hold such securities until maturity.

Available-for-sale ("AFS") securities are stated at fair value and generally consist of debt securities held for investment and marketable equity securities not accounted for under the equity method. Unrealized gains and losses of AFS securities, after applicable taxes, are recorded as a component of other comprehensive income ("OCI").

We review quarterly our investment securities portfolio for any declines in value that are considered to be other-than-temporary impairment ("OTTI"). The process, methodology and factors considered to evaluate securities for OTTI are discussed further in Note 5.

Trading securities are stated at fair value and consist of securities acquired for short-term appreciation or other trading purposes. Realized and unrealized gains and losses are recorded in trading income, which is included in capital markets and foreign exchange.

The fair values of investment securities, as estimated under current accounting guidance, are discussed in Note 20.

Loans and Allowance for Credit Losses

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct loan origination costs, is amortized to interest income over the life of the loan using the interest method. Interest income is recognized on an accrual basis.

At the time of origination, we determine whether loans will be held for investment or held for sale. We may subsequently change our intent to hold loans for investment and reclassify them as held for sale. Loans held for sale are carried at the lower of aggregate cost or fair value. A valuation allowance is recorded when cost exceeds fair value based on reviews at the time of reclassification and periodically thereafter. Gains and losses are recorded in noninterest income based on the difference between sales proceeds and carrying value.

We evaluate loans throughout their lives for signs of credit deterioration, which may impact the loan's status, and potentially impact our accounting for that loan. Loan status categories include past due as to contractual payments, nonaccrual, impaired, and restructured (including trouble debt restructurings "TDRs"). Our accounting policies for these loan statuses and our estimation of the related allowance for loan losses ("ALLL") are discussed further in Note 6.

In the ordinary course of business, we transfer portions of loans under participation agreements to manage credit risk and our portfolio concentration. We evaluate the loan participations to determine if they meet the appropriate accounting guidance to qualify as sales. Certain purchased loans require separate accounting procedures that are also discussed in Note 6.

The allowance for credit losses ("ACL") includes the ALLL and the reserve for unfunded lending commitments ("RULC"), and represents our estimate of losses inherent in the loan portfolio that may be recognized from loans

and lending commitments that are not recoverable. Further discussion of our estimation process for the ACL is included in Note 6.

Other Noninterest-Bearing Investments

These investments include investments in private equity funds (referred to in this document as private equity investments "PEIs"), venture capital securities, securities acquired for various debt and regulatory requirements, bank-owned life insurance, and certain other noninterest-bearing investments. See further discussions in Notes 5, 17 and 20.

Certain PEIs and venture capital securities are accounted for under the equity method and reported at fair value. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated.

Bank-owned life insurance is accounted for at fair value based on the cash surrender values ("CSVs") of the general account insurance policies. A third party service provides these values.

Other PEIs and those acquired for various debt and regulatory requirements are accounted for at cost. Periodic reviews are conducted for impairment by comparing carrying values with estimates of fair value determined according to the previous discussion.

Premises, Equipment and Software, Net

Premises, equipment and software, are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally 25 to 40 years for buildings, 3 to 10 years for furniture and equipment, and 3 to 10 years for software, including capitalized costs related to the Company's Core Transformation project to install new lending and deposit systems. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

Goodwill and Identifiable Intangible Assets

Goodwill and intangible assets deemed to have indefinite lives are not amortized. We subject these assets to annual specified impairment tests as of the beginning of the fourth quarter and more frequently if changing conditions warrant. Core deposit assets and other intangibles with finite useful lives are generally amortized on an accelerated basis using an estimated useful life of up to 12 years.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. Upon initially obtaining control, we recognize 100% of all acquired assets and all assumed liabilities regardless of the percentage owned. The assets and liabilities are recorded at their estimated fair values, with goodwill being recorded when such fair values are less than the cost of acquisition. Certain transaction and restructuring costs are expensed as incurred. Changes to estimated fair values from a business combination are recognized as an adjustment to goodwill over the measurement period, which cannot exceed one year from the acquisition date. Results of operations of the acquired business are included in our statement of income from the date of acquisition.

Other Real Estate Owned

Other real estate owned ("OREO") consists principally of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. Amounts are recorded initially at fair value (less any selling costs) based on property appraisals at the time of transfer and subsequently at the lower of cost or fair value (less any selling costs).

Derivative Instruments

We use derivative instruments, including interest rate swaps and floors and basis swaps, as part of our overall interest rate risk management strategy. These instruments enable us to manage to desired asset and liability duration

and to reduce interest rate risk exposure by matching estimated repricing periods of interest-sensitive assets and liabilities. We also execute derivative instruments with commercial banking customers to facilitate their risk management strategies. These derivatives are immediately hedged by offsetting derivatives with third parties such that we minimize our net risk exposure as a result of such transactions. We record all derivatives at fair value in the balance sheet as either other assets or other liabilities. See further discussion in Note 7.

Commitments and Letters of Credit

In the ordinary course of business, we enter into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments is evaluated in a manner similar to the ALLL. The RULC is presented separately in the balance sheet.

Revenue Recognition

Service charges and fees on deposit accounts are recognized in accordance with published deposit account agreements for customer accounts or contractual agreements for commercial accounts. Other service charges, commissions and fees include interchange fees, bank services, and other fees, which are generally recognized when earned.

Share-Based Compensation

Share-based compensation generally includes grants of stock options, restricted stock, restricted stock units (“RSUs”), and other awards to employees and nonemployee directors. We recognize compensation expense in the statement of income based on the fair value of the associated share-based awards. See further discussion in Note 16.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases, and are measured using enacted tax laws and rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized subject to management’s judgment that realization is more likely than not. Unrecognized tax benefits for uncertain tax positions relate primarily to state tax contingencies. See further discussion in Note 14.

Net Earnings Per Common Share

Net earnings per common share is based on net earnings applicable to common shareholders, which is net of preferred stock dividends. Basic net earnings per common share is based on the weighted average outstanding common shares during each year. Unvested share-based awards with rights to receive nonforfeitable dividends are considered participating securities and included in the computation of basic earnings per share. Diluted net earnings per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Stock options, restricted stock, RSUs, and stock warrants are converted to common stock equivalents using the treasury stock method. Diluted net earnings per common share excludes common stock equivalents whose effect is antidilutive. See further discussion in Note 15.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company			
ASU 2016-09, *Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*	The standard requires entities to recognize the income tax effects of share-based awards in the income statement when the awards vest or are settled (i.e. the additional paid-in capital pools will be eliminated). The guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing. The standard also provides an entity the option to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur.	January 1, 2017	We plan to account for forfeitures when they occur. The cumulative effect adjustment of this election and the other requirements of the ASU are not expected to have a material impact on the Company's financial statements.
ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*	The standard provides revised accounting guidance related to the accounting for and reporting of financial instruments. Some of the main provisions include: – Equity investments that do not result in consolidation and are not accounted for under the equity method would be measured at fair value through net income. – Changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option would be recognized in OCI. – Elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. However, it will require the use of exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes.	January 1, 2018	We do not expect this guidance will have a material impact on the Company's financial statements. We do not have a significant amount of equity securities classified as AFS. Additionally, we do not have any financial liabilities accounted for under the fair value option. Therefore, the transition adjustment upon adoption of this guidance is not expected to be material. We have formed a working group to evaluate the fair value measurements of financial instruments for disclosure purposes.
ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) and subsequent related ASUs*	The core principle of the new guidance is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The banking industry does not expect significant changes because major sources of revenue are from financial instruments that have been excluded from the scope of the new standard, (including loans, derivatives, debt and equity securities, etc.). However, these new standards affect other fees charged by banks, such as asset management fees, credit card interchange fees, deposit account fees, etc. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Additionally, the new guidance significantly increases the disclosures related to revenue recognition practices.	January 1, 2018	More than 75% of our revenue comes from net interest income, and is explicitly out of scope of the guidance. For our noninterest income, approximately 20% is out of scope of the guidance. The contracts that are in scope of the guidance are primarily related to service charges and fees on deposit accounts, wealth management income, and other service charges, commissions and fees. We have created an implementation team that is analyzing the individual contracts in scope to determine if our current accounting will change. This review is expected to be complete in the second quarter of 2017. We plan to adopt this guidance using the modified retrospective transition method.

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company (continued)			
ASU 2016-02, *Leases (Topic 842)*	The standard requires that a lessee recognize assets and liabilities for leases with lease terms of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, the standard will require both types of leases to be recognized on the balance sheet. It also requires disclosures to better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements.	January 1, 2019	We are currently evaluating the potential impact of this guidance on the Company's financial statements. As of December 31, 2016, the Company had minimum noncancelable operating lease payments of $275 million that are being evaluated. The implementation team is working on gathering all key lease data elements to meet the requirements of the new guidance. Additionally, we are implementing new lease software that will accommodate the new accounting requirements.
ASU 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*	The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces today's "incurred loss" approach with an "expected loss" model for instruments such as loans and HTM securities that are measured at amortized cost. The standard requires credit losses relating to AFS debt securities to be recorded through an ACL rather than a reduction of the carrying amount. It also changes the accounting for purchased credit-impaired debt securities and loans. The standard retains many of the current disclosure requirements in current GAAP and expands certain disclosure requirements. Early adoption of the guidance is permitted as of January 1, 2019.	January 1, 2020	We have formed an implementation team led jointly by Credit and the Corporate Controller's group, that also includes other lines of business and functions within the Company. The implementation team is working on developing models that can meet the requirements of the new guidance. While we expect this standard will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.
ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*	The standard eliminates the requirement to calculate the implied fair value of goodwill (i.e. Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities would record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on Step 1 of the current guidance). The standard does not change the guidance on completing Step 1 of the goodwill impairment test. The standard also continues to allow entities to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to Step 1. The standard is effective for the Company as of January 1, 2020. Early adoption is allowed for any goodwill impairment test performed after January 1, 2017.	January 1, 2020	We do not currently expect this guidance will have a material impact on the Company's financial statements since the fair values of our reporting units were not lower than their respective carrying amounts at the time of our goodwill impairment analysis for 2016.

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards adopted by the Company			
ASU 2014-15, *Presentation of Financial Statements (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*	The standard requires management to evaluate conditions or events, considered in the aggregate, that raise substantial doubts about the entity's ability to continue as a going concern within one year after the date the financial statements are issued. The analysis must be completed for each annual and interim reporting period. Disclosure must be made if management's evaluation reveals substantial doubt.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.
ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*	The new standard changes certain criteria in the variable interest model and the voting model to determine whether certain legal entities are VIEs and whether they should be consolidated. Additional disclosures are required for entities not currently considered VIEs, but may become VIEs under the new guidance and may be subject to consolidation. Adoption may be retrospective or modified retrospective with a cumulative effect adjustment.	January 1, 2016	We do not currently consolidate any VIEs and our adoption of this standard did not have a material impact on the Company's financial statements.
ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*	The standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with debt discounts. Adoption is retrospective.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.
ASU 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*	The standard provides guidance to determine whether an arrangement includes a software license. If it does, the customer accounts for it the same way as for other software licenses. If no software license is included, the customer accounts for it as a service contract. Adoption may be retrospective or prospective.	January 1, 2016	We adopted this standard on a prospective basis and it did not have a material impact on the accompanying financial statements.
ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*	The guidance eliminates the current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value ("NAV") using the practical expedient in ASC 820. Fair value disclosure of these investments will be made to facilitate reconciliation to amounts reported on the balance sheet. Other related disclosures will continue when the NAV practical expedient is used. Adoption is retrospective.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Year Ended December 31, 2016	2015	2014
Loans held for investment transferred to other real estate owned	$ 14,632	$ 11,924	$ 25,189
Loans held for investment reclassified to (from) loans held for sale, net	50,353	5,048	(26,272)
Adjusted cost of HTM securities reclassified as AFS securities	—	79,276	—
AFS securities purchased, not settled	395,079	—	—

Prior period amounts in the Consolidated Statements of Cash Flows have been adjusted to reflect a reclassification of certain items. These reclassifications resulted in a decrease in net cash provided by operating activities of $70.8 million and $74.0 million in 2015 and 2014, respectively. Net cash used in investing decreased by the same amounts.

4. OFFSETTING ASSETS AND LIABILITIES

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

(In thousands)	December 31, 2016					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$ 568,334	$ —	$ 568,334	$ —	$ —	$ 568,334
Derivatives (included in other assets)	64,195	—	64,195	(17,118)	(162)	46,915
	$ 632,529	$ —	$ 632,529	$ (17,118)	$ (162)	$ 615,249
Liabilities:						
Federal funds and other short-term borrowings	$ 827,269	$ —	$ 827,269	$ —	$ —	$ 827,269
Derivatives (included in other liabilities)	59,221	—	59,221	(17,118)	(16,570)	25,533
	$ 886,490	$ —	$ 886,490	$ (17,118)	$ (16,570)	$ 852,802

(In thousands)	December 31, 2015					
				Gross amounts not offset in the balance sheet		
Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Assets:						
Federal funds sold and security resell agreements	$ 619,758	$ —	$ 619,758	$ —	$ —	$ 619,758
Derivatives (included in other assets)	77,638	—	77,638	(6,990)		70,648
	$ 697,396	$ —	$ 697,396	$ (6,990)	$ —	$ 690,406
Liabilities:						
Federal funds and other short-term borrowings	$ 346,987	$ —	$ 346,987	$ —	$ —	$ 346,987
Derivatives (included in other liabilities)	72,568	—	72,568	(6,990)	(60,923)	4,655
	$ 419,555	$ —	$ 419,555	$ (6,990)	$ (60,923)	$ 351,642

Security repurchase and reverse repurchase (“resell”) agreements are offset, when applicable, in the balance sheet according to master netting agreements. Security repurchase agreements are included with “Federal funds and other

short-term borrowings." Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company's balance sheet. See Note 7 for further information regarding derivative instruments.

5. INVESTMENTS

Investment Securities

Securities are classified as HTM, AFS or trading. HTM securities, which management has the intent and ability to hold until maturity, are carried at amortized cost. AFS securities are carried at fair value and unrealized gains and losses are reported as net increases or decreases to accumulated other comprehensive income ("AOCI"). Trading securities are carried at fair value with gains and losses recognized in current period earnings. The purchase premiums and discounts for both HTM and AFS securities are amortized and accreted at a constant effective yield to the contractual maturity date and no assumption is made concerning prepayments. As principal prepayments occur, the portion of the unamortized premium or discount associated with the principal reduction is recognized as interest income in the period the principal is reduced. Note 20 discusses the process to estimate fair value for investment securities.

	December 31, 2016			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	$ 867,904	$ 5,975	$ 23,406	$ 850,473
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,845,825	2,338	9,188	1,838,975
Agency guaranteed mortgage-backed securities	7,985,630	6,596	109,392	7,882,834
Small Business Administration loan-backed securities	2,297,935	8,439	18,507	2,287,867
Municipal securities	1,181,560	969	28,319	1,154,210
Other debt securities	25,359	103	1,570	23,892
	13,336,309	18,445	166,976	13,187,778
Money market mutual funds and other	184,407	9	—	184,416
	13,520,716	18,454	166,976	13,372,194
Total	$ 14,388,620	$ 24,429	$ 190,382	$ 14,222,667

	December 31, 2015			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	$ 545,648	$ 11,218	$ 4,778	$ 552,088
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,231,740	4,313	2,658	1,233,395
Agency guaranteed mortgage-backed securities	3,964,593	7,919	36,037	3,936,475
Small Business Administration loan-backed securities	1,932,817	12,602	14,445	1,930,974
Municipal securities	417,374	2,177	856	418,695
Other debt securities	25,454	152	2,665	22,941
	7,571,978	27,163	56,661	7,542,480
Money market mutual funds and other	100,612	61	37	100,636
	7,672,590	27,224	56,698	7,643,116
Total	$ 8,218,238	$ 38,442	$ 61,476	$ 8,195,204

Collateralized Debt Obligation Securities - Sales and Paydowns

During the second quarter of 2015, we sold the remaining portfolio of our collateralized debt obligation ("CDO") securities, or $574 million at amortized cost, and realized net losses of approximately $137 million. During the first quarter of 2015, we reclassified all of the remaining held-to-maturity CDO securities, or approximately $79 million at amortized cost, to AFS securities. The reclassification resulted from increased risk weights for these securities under the new Basel III capital rules, and was made in accordance with applicable accounting guidance that allows for such reclassifications when increased risk weights of debt securities must be used for regulatory risk-based capital purposes. No gain or loss was recognized in the statement of income at the time of reclassification.

Maturities

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of December 31, 2016 by expected timing of principal payments. Actual principal payments may differ from contractual or expected principal payments because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Held-to-maturity		Available-for-sale	
(In thousands)	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	$ 181,416	$ 181,686	$ 1,548,685	$ 1,532,345
Due after one year through five years	276,753	276,470	4,971,404	4,920,537
Due after five years through ten years	198,667	195,541	4,305,373	4,251,664
Due after ten years	211,068	196,776	2,510,847	2,483,232
	$ 867,904	$ 850,473	$ 13,336,309	$ 13,187,778

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:

	December 31, 2016					
	Less than 12 months		12 months or more		Total	
(In thousands)	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 15,754	$ 467,056	$ 7,652	$ 61,389	$ 23,406	$ 528,445
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	8,682	949,608	506	127,249	9,188	1,076,857
Agency guaranteed mortgage-backed securities	102,524	6,649,246	6,868	326,417	109,392	6,975,663
Small Business Administration loan-backed securities	2,490	527,472	16,017	840,535	18,507	1,368,007
Municipal securities	28,077	991,973	242	9,103	28,319	1,001,076
Other	—	—	1,570	13,433	1,570	13,433
	141,773	9,118,299	25,203	1,316,737	166,976	10,435,036
Mutual funds and other	—	—	—	—	—	—
	141,773	9,118,299	25,203	1,316,737	166,976	10,435,036
Total	$ 157,527	$ 9,585,355	$ 32,855	$ 1,378,126	$ 190,382	$ 10,963,481

(In thousands)	December 31, 2015					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	$ 4,521	$ 122,197	$ 257	$ 13,812	$ 4,778	$ 136,009
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	2,176	559,196	482	131,615	2,658	690,811
Agency guaranteed mortgage-backed securities	34,583	3,639,824	1,454	65,071	36,037	3,704,895
Small Business Administration loan-backed securities	5,348	567,365	9,097	535,376	14,445	1,102,741
Municipal securities	735	102,901	121	5,733	856	108,634
Other	—	—	2,665	12,337	2,665	12,337
	42,842	4,869,286	13,819	750,132	56,661	5,619,418
Mutual funds and other	37	35,488	—	—	37	35,488
	42,879	4,904,774	13,819	750,132	56,698	5,654,906
Total	$ 47,400	$ 5,026,971	$ 14,076	$ 763,944	$ 61,476	$ 5,790,915

At December 31, 2016 and 2015, respectively, 642 and 187 HTM and 2,398 and 709 AFS investment securities were in an unrealized loss position.

Other-Than-Temporary Impairment

Ongoing Policy

We review investment securities on a quarterly basis for the presence of OTTI. We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date (the majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we have formed a documented intent to sell identified securities or initiated such sales; (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.

Noncredit-related OTTI in securities we intend to sell is recognized in earnings as is any credit-related OTTI in securities, regardless of our intent. Noncredit-related OTTI on AFS securities not expected to be sold is recognized in OCI. The amount of noncredit-related OTTI in a security is quantified as the difference in a security’s amortized cost after adjustment for credit impairment, and its lower fair value. 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.

Our OTTI evaluation process takes into consideration current market conditions; fair value in relationship to cost; extent and nature of change in fair value; severity and duration of the impairment; recent events specific to the issuer or industry; our assessment of the creditworthiness of the issuer, including external credit ratings, changes, recent downgrades, and trends; the cash flow priority position of the instrument that we hold in the case of structured securities; volatility of earnings and trends; current analysts’ evaluations; all available information relevant to the collectability of debt securities; and other key measures. In addition, for AFS securities with fair values below amortized cost, we must determine if we intend to sell the securities or if it is more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. For HTM securities, we must determine we have the ability to hold the securities to maturity. We consider any other relevant factors before concluding our evaluation for the existence of OTTI in our securities portfolio.

OTTI Conclusions

The following summarizes the conclusions from our OTTI evaluation for those security types that had significant gross unrealized losses at December 31, 2016:

Agency Guaranteed Mortgage-Backed Securities: These pass-through securities are comprised largely of fixed and floating-rate residential mortgage-backed securities issued by the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. They were generally purchased at premiums with maturity dates from 10 to 15 years for fixed-rate securities and 30 years for floating-rate securities. These securities benefit from certain guarantee provisions or, in the case of GNMA, direct U.S. government guarantees. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At December 31, 2016, we did not have an intent to sell identified securities with unrealized losses or initiate such sales, and we believe it is not more likely than not we would be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during 2016.

Small Business Administration Loan-Backed Securities: These securities were generally purchased at premiums with maturities from 5 to 25 years and have principal cash flows guaranteed by the small business administration ("SBA"). Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At December 31, 2016, we did not have an intent to sell identified SBA securities with unrealized losses or initiate such sales, and we believe it is not more likely than not we would be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during 2016.

Municipal Securities: These securities were fixed or variable-rate securities purchased at premiums or at par and with maturities from 1 to 30 years. Unrealized losses may relate to changes in interest rates subsequent to purchase and/or may be attributable to credit. Securities with significant credit deterioration and fair value declines are subject to further assessment for impairment including analysis of the creditworthiness of the issuer. We take into account all available information relevant to the collectability of municipal security, including the extent and nature of change in fair value; recent events specific to the issuer; current analysts' evaluations; and other key measures. At December 31, 2016, we did not have an intent to sell identified securities with unrealized losses or initiate such sales, and we believe it is not more likely than not we would be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during 2016.

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

	2016			2015		
(In thousands)	**HTM**	**AFS**	**Total**	**HTM**	**AFS**	**Total**
Balance of credit-related OTTI at beginning of year	$ —	$ —	$ —	$ (9,079)	$ (95,472)	$ (104,551)
Transfers from HTM to AFS	—	—	—	9,079	(9,079)	—
Reductions for securities sold or paid off during the year	—	—	—	—	104,551	104,551
Balance of credit-related OTTI at end of year	$ —	$ —	$ —	$ —	$ —	$ —

[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. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are also utilized. In addition, certain internal models may be utilized. See Note 20 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows.

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

(In thousands)	2016 Gross gains	2016 Gross losses	2015 Gross gains	2015 Gross losses	2014 Gross gains	2014 Gross losses
Investment securities:						
Held-to-maturity	$ 12	$ —	$ 1	$ —	$ 18	$ 27
Available-for-sale	120	30	8,443	147,656	92,525	83,815
Other noninterest-bearing investments	21,176	14,008	25,045	12,693	23,706	8,544
	21,308	14,038	33,489	160,349	116,249	92,386
Net gains (losses)		$ 7,270		$ (126,860)		$ 23,863
Statement of income information:						
Net impairment losses on investment securities		$ —		$ —		$ (27)
Equity securities gains, net		7,168		11,875		13,471
Fixed income securities gains (losses), net		102		(138,735)		10,419
Net gains (losses)		$ 7,270		$ (126,860)		$ 23,863

Interest income by security type is as follows:

(In thousands)	2016 Taxable	2016 Nontaxable	2016 Total	2015 Taxable	2015 Nontaxable	2015 Total	2014 Taxable	2014 Nontaxable	2014 Total
Investment securities:									
Held-to-maturity	$ 10,306	$ 12,628	$ 22,934	$ 12,777	$ 10,892	$ 23,669	$ 14,770	$ 11,264	$ 26,034
Available-for-sale	166,281	11,582	177,863	94,877	3,326	98,203	71,365	2,558	73,923
Trading	3,123	—	3,123	2,214	—	2,214	1,979	—	1,979
	$ 179,710	$ 24,210	$ 203,920	$ 109,868	$ 14,218	$ 124,086	$ 88,114	$ 13,822	$ 101,936

Investment securities with a carrying value of approximately $1.4 billion and $2.3 billion at December 31, 2016 and 2015, 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.

Private Equity Investments

Effect of Volcker Rule

The Volcker Rule, as published pursuant to the Dodd-Frank Act in December 2013 and amended in January 2014, significantly restricted certain activities by covered bank holding companies, including restrictions on certain types of securities, proprietary trading, and private equity investing. The Company's PEIs consist of Small Business Investment Companies ("SBICs") and non-SBICs. Following the sales of its CDO securities, the only prohibited investments under the Volcker Rule requiring divestiture by the Company were certain of its PEIs. Of the recorded PEIs of $139 million at December 31, 2016, approximately $6 million remain prohibited by the Volcker Rule.

As of December 31, 2016, we have sold a total of $19 million of PEIs during 2016 and 2015, including $10 million during 2016 and $9 million during 2015. All of these sales were related to prohibited PEIs and resulted in insignificant amounts of realized gains or losses. We will dispose of the remaining $6 million of prohibited PEIs before the required deadline. The Federal Reserve Board ("FRB") announced in December 2016 that it would allow banks to apply for an additional five-year extension to comply with the Dodd-Frank Act requirement for these investments. The Company applied for an extension for the vast majority of its remaining portfolio of PEIs. See other discussion in Notes 17.

As discussed in Note 17, we have $26 million at December 31, 2016 of unfunded commitments for PEIs, of which approximately $4 million relate to prohibited PEIs. Until we dispose of the prohibited PEIs, we expect to fund these commitments if and as capital calls are made, as allowed under the Volcker Rule.

6. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and Loans Held for Sale

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

(In thousands)	December 31, 2016	December 31, 2015
Loans held for sale	$ 171,934	$ 149,880
Commercial:		
Commercial and industrial	$ 13,451,886	$ 13,211,481
Leasing	422,969	441,666
Owner-occupied	6,961,807	7,150,028
Municipal	778,335	675,839
Total commercial	21,614,997	21,479,014
Commercial real estate:		
Construction and land development	2,018,655	1,841,502
Term	9,322,138	8,514,401
Total commercial real estate	11,340,793	10,355,903
Consumer:		
Home equity credit line	2,645,192	2,416,357
1-4 family residential	5,890,714	5,382,099
Construction and other consumer real estate	486,712	385,240
Bankcard and other revolving plans	481,063	443,780
Other	189,794	187,149
Total consumer	9,693,475	8,814,625
Total loans	$ 42,649,265	$ 40,649,542

Loan balances are presented net of unearned income and fees, which amounted to $77.0 million at December 31, 2016 and $81.0 million at December 31, 2015.

Owner-occupied and commercial real estate (“CRE”) loans include unamortized premiums of approximately $19.9 million at December 31, 2016 and $26.2 million at December 31, 2015.

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.

Land development loans included in the construction and land development loan class were $289.8 million at December 31, 2016, and $288.0 million at December 31, 2015.

Loans with a carrying value of approximately $24.0 billion at December 31, 2016 and $19.4 billion at December 31, 2015 have been pledged at the Federal Reserve and various Federal Home Loan Banks (“FHLBs”) as collateral for potential borrowings.

We sold loans totaling $1.4 billion in 2016, $1.4 billion in 2015, and $1.2 billion in 2014, that were classified as loans held for sale. The sold loans were derecognized from the balance sheet. Loans classified as loans held for sale primarily consist of conforming residential mortgages and the guaranteed portion of SBA loans. The loans are mainly sold to U.S. government agencies or participated to third parties. We generally have continuing involvement with the transferred loans, typically in the form of servicing rights or securities that are backed by the transferred loans in addition to a guarantee from the respective agency. The securities we receive in a loan transfer are not restricted from being pledged or exchanged. Amounts added to loans held for sale during these years were $1.4 billion, $1.4 billion, and $1.2 billion, respectively.

The principal balance of sold loans for which we retain servicing was approximately $2.0 billion at both December 31, 2016 and December 31, 2015. Income from loans sold, excluding servicing, was $18.1 million in 2016, $17.8 million in 2015, and $15.1 million in 2014.

Allowance for Credit Losses

The ACL consists of the ALLL and the RULC.

Allowance for Loan and Lease Losses

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

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and loan portfolio. The methodology for impaired loans is discussed subsequently. For commercial and CRE loans with commitments equal to or greater than $750,000, we assign internal risk grades using a comprehensive loan grading system based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. The credit quality indicators discussed subsequently are based on this grading system. Estimated losses for these commercial and CRE loans are derived from a statistical analysis of our historical default and loss given default (“LGD”) experience over the period of January 2008 through the most recent full quarter.

For consumer and small commercial and CRE loans with commitments less than $750,000, we primarily use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which these loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for these loans using recent delinquency and loss experience by segmenting our loan portfolios into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses.

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

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;
- Changes in international, national, regional, and local economic and business conditions;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability, and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentration of credit, and changes in the level of such concentrations;
- The effect of other external factors such as competition and legal and regulatory requirements;

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

Reserve for Unfunded Lending Commitments

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

Changes in Allowance for Credit Losses Assumptions

During the first quarter of 2016, due to the consolidation of our separate banking charters, we enhanced our methodology to estimate the ACL on a company-wide basis. As described previously, for large commercial and CRE loans, we began estimating historic loss factors by separately calculating historic default and LGD rates, instead of directly calculating loss rates for groupings of probability of default and LGD grades using a loss migration approach. For small commercial and CRE loans, we began using roll rate models to estimate probable inherent losses. For consumer loans, we began pooling loans by current loan-to-value, where applicable. The impact of these changes was largely neutral to the total ACL at implementation.

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

(In thousands)	December 31, 2016			
	Commercial	**Commercial real estate**	**Consumer**	**Total**
Allowance for loan losses				
Balance at beginning of year	$ 454,277	$ 113,992	$ 37,779	$ 606,048
Additions:				
Provision for loan losses	92,796	217	(238)	92,775
Adjustment for FDIC-supported/PCI loans	—	—	—	—
Deductions:				
Gross loan and lease charge-offs	(169,260)	(12,146)	(15,959)	(197,365)
Recoveries	42,907	13,864	9,293	66,064
Net loan and lease (charge-offs) recoveries	(126,353)	1,718	(6,666)	(131,301)
Balance at end of year	$ 420,720	$ 115,927	$ 30,875	$ 567,522
Reserve for unfunded lending commitments				
Balance at beginning of year	$ 57,696	$ 16,526	$ 616	$ 74,838
Provision credited to earnings	(3,464)	(5,847)	(616)	(9,927)
Balance at end of year	$ 54,232	$ 10,679	$ —	$ 64,911
Total allowance for credit losses				
Allowance for loan losses	$ 420,720	$ 115,927	$ 30,875	$ 567,522
Reserve for unfunded lending commitments	54,232	10,679	—	64,911
Total allowance for credit losses	$ 474,952	$ 126,606	$ 30,875	$ 632,433

(In thousands)	December 31, 2015			
	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Balance at beginning of year	$ 412,514	$ 145,009	$ 47,140	$ 604,663
Additions:				
Provision for loan losses	96,995	(51,777)	(5,183)	40,035
Adjustment for FDIC-supported/PCI loans	(57)	57	5	5
Deductions:				
Gross loan and lease charge-offs	(110,437)	(14,194)	(14,298)	(138,929)
Recoveries	55,262	34,897	10,115	100,274
Net loan and lease charge-offs	(55,175)	20,703	(4,183)	(38,655)
Balance at end of year	$ 454,277	$ 113,992	$ 37,779	$ 606,048
Reserve for unfunded lending commitments				
Balance at beginning of year	$ 58,931	$ 21,517	$ 628	$ 81,076
Provision credited to earnings	(1,235)	(4,991)	(12)	(6,238)
Balance at end of year	$ 57,696	$ 16,526	$ 616	$ 74,838
Total allowance for credit losses				
Allowance for loan losses	$ 454,277	$ 113,992	$ 37,779	$ 606,048
Reserve for unfunded lending commitments	57,696	16,526	616	74,838
Total allowance for credit losses	$ 511,973	$ 130,518	$ 38,395	$ 680,886

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

(In thousands)	December 31, 2016			
	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Individually evaluated for impairment	$ 55,951	$ 2,620	$ 5,995	$ 64,566
Collectively evaluated for impairment	364,703	113,202	24,483	502,388
Purchased loans with evidence of credit deterioration	66	105	397	568
Total	$ 420,720	$ 115,927	$ 30,875	$ 567,522
Outstanding loan balances				
Individually evaluated for impairment	$ 466,187	$ 78,190	$ 75,063	$ 619,440
Collectively evaluated for impairment	21,111,071	11,230,486	9,611,096	41,952,653
Purchased loans with evidence of credit deterioration	37,739	32,117	7,316	77,172
Total	$ 21,614,997	$ 11,340,793	$ 9,693,475	$ 42,649,265

(In thousands)	December 31, 2015			
	Commercial	Commercial real estate	Consumer	Total
Allowance for loan losses				
Individually evaluated for impairment	$ 36,909	$ 3,154	$ 9,462	$ 49,525
Collectively evaluated for impairment	417,295	110,417	27,866	555,578
Purchased loans with evidence of credit deterioration	73	421	451	945
Total	$ 454,277	$ 113,992	$ 37,779	$ 606,048
Outstanding loan balances				
Individually evaluated for impairment	$ 289,629	$ 107,341	$ 92,605	$ 489,575
Collectively evaluated for impairment	21,129,125	10,193,840	8,712,079	40,035,044
Purchased loans with evidence of credit deterioration	60,260	54,722	9,941	124,923
Total	$ 21,479,014	$ 10,355,903	$ 8,814,625	$ 40,649,542

Nonaccrual and Past Due Loans

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

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

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

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Nonaccrual loans are summarized as follows:

(In thousands)	December 31, 2016	December 31, 2015
Loans held for sale	$ 40,330	$ —
Commercial:		
Commercial and industrial	$ 354,172	$ 163,906
Leasing	13,920	3,829
Owner-occupied	73,794	73,881
Municipal	852	951
Total commercial	442,738	242,567
Commercial real estate:		
Construction and land development	7,109	7,045
Term	29,012	40,253
Total commercial real estate	36,121	47,298
Consumer:		
Home equity credit line	10,842	8,270
1-4 family residential	35,577	50,254
Construction and other consumer real estate	1,677	748
Bankcard and other revolving plans	1,235	537
Other	139	186
Total consumer loans	49,470	59,995
Total	$ 528,329	$ 349,860

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

(In thousands)	December 31, 2016 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	$ 171,934	$ —	$ —	$ —	$ 171,934	$ —	$ 40,330
Commercial:							
Commercial and industrial	$ 13,306,132	$ 71,446	$ 74,308	$ 145,754	$ 13,451,886	$ 10,321	$ 286,883
Leasing	422,969	—	—	—	422,969	—	13,920
Owner-occupied	6,893,739	40,655	27,413	68,068	6,961,807	7,450	43,148
Municipal	778,334	—	1	1	778,335	1	852
Total commercial	21,401,174	112,101	101,722	213,823	21,614,997	17,772	344,803
Commercial real estate:							
Construction and land development	2,009,344	7,208	2,103	9,311	2,018,655	368	310
Term	9,290,756	8,806	22,576	31,382	9,322,138	12,349	18,469
Total commercial real estate	11,300,100	16,014	24,679	40,693	11,340,793	12,717	18,779
Consumer:							
Home equity credit line	2,635,321	3,868	6,003	9,871	2,645,192	1,500	4,474
1-4 family residential	5,857,429	11,982	21,303	33,285	5,890,714	121	11,342
Construction and other consumer real estate	479,383	3,258	4,071	7,329	486,712	2,557	162
Bankcard and other revolving plans	477,426	2,406	1,231	3,637	481,063	1,181	1,151
Other	189,044	711	39	750	189,794	—	70
Total consumer loans	9,638,603	22,225	32,647	54,872	9,693,475	5,359	17,199
Total	$ 42,339,877	$ 150,340	$ 159,048	$ 309,388	$ 42,649,265	$ 35,848	$ 380,781

(In thousands)	December 31, 2015						
	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	$ 149,880	$ —	$ —	$ —	$ 149,880	$ —	$ —
Commercial:							
Commercial and industrial	$ 13,114,045	$ 60,523	$ 36,913	$ 97,436	$ 13,211,481	$ 3,065	$ 117,942
Leasing	440,963	183	520	703	441,666	—	3,309
Owner-occupied	7,085,086	37,776	27,166	64,942	7,150,028	3,626	43,984
Municipal	668,207	7,586	46	7,632	675,839	46	951
Total commercial	21,308,301	106,068	64,645	170,713	21,479,014	6,737	166,186
Commercial real estate:							
Construction and land development	1,835,360	842	5,300	6,142	1,841,502	—	1,745
Term	8,469,390	10,424	34,587	45,011	8,514,401	21,697	24,867
Total commercial real estate	10,304,750	11,266	39,887	51,153	10,355,903	21,697	26,612
Consumer:							
Home equity credit line	2,407,972	4,717	3,668	8,385	2,416,357	—	3,053
1-4 family residential	5,340,549	14,828	26,722	41,550	5,382,099	1,036	20,939
Construction and other consumer real estate	374,987	8,593	1,660	10,253	385,240	1,337	408
Bankcard and other revolving plans	440,358	1,861	1,561	3,422	443,780	1,217	146
Other	186,436	647	66	713	187,149	—	83
Total consumer loans	8,750,302	30,646	33,677	64,323	8,814,625	3,590	24,629
Total	$ 40,363,353	$ 147,980	$ 138,209	$ 286,189	$ 40,649,542	$ 32,024	$ 217,427

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

Credit Quality Indicators

In addition to the past due and nonaccrual criteria, we also analyze loans using loan risk grading systems, which vary based on the size and type of credit risk exposure. The internal risk grades assigned to loans 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 low.

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

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

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

We generally assign internal risk grades to commercial and CRE loans with commitments equal to or greater than $750,000 based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. For these larger loans, we assign one of multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding

balance has been charged off. We confirm our internal risk grades quarterly, or as soon as we identify information that affects the credit risk of the loan

For consumer loans and certain small commercial and CRE loans with commitments less than $750,000, we generally assign internal risk grades similar to those described previously based on automated rules that depend on refreshed credit scores, payment performance, and other risk indicators. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant a grade change.

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

	December 31, 2016					
(In thousands)	Pass	Special mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$ 12,184,707	$ 266,027	$ 997,872	$ 3,280	$ 13,451,886	
Leasing	387,275	4,689	30,017	988	422,969	
Owner-occupied	6,560,030	96,464	305,313	—	6,961,807	
Municipal	765,025	7,236	6,074	—	778,335	
Total commercial	19,897,037	374,416	1,339,276	4,268	21,614,997	$ 420,720
Commercial real estate:						
Construction and land development	1,941,411	51,931	25,313	—	2,018,655	
Term	9,096,745	81,698	143,695	—	9,322,138	
Total commercial real estate	11,038,156	133,629	169,008	—	11,340,793	115,927
Consumer:						
Home equity credit line	2,629,285	—	15,907	—	2,645,192	
1-4 family residential	5,850,771	—	39,943	—	5,890,714	
Construction and other consumer real estate	482,167	—	4,545	—	486,712	
Bankcard and other revolving plans	477,756	—	3,307	—	481,063	
Other	189,360	—	434	—	189,794	
Total consumer loans	9,629,339	—	64,136	—	9,693,475	30,875
Total	$ 40,564,532	$ 508,045	$ 1,572,420	$ 4,268	$ 42,649,265	$ 567,522

(In thousands)	December 31, 2015					
	Pass	Special mention	Sub-standard	Doubtful	Total loans	Total allowance
Commercial:						
Commercial and industrial	$ 12,007,076	$ 399,847	$ 804,403	$ 155	$ 13,211,481	
Leasing	411,131	5,166	25,369	—	441,666	
Owner-occupied	6,720,052	139,784	290,192	—	7,150,028	
Municipal	663,903	—	11,936	—	675,839	
Total commercial	19,802,162	544,797	1,131,900	155	21,479,014	$ 454,277
Commercial real estate:						
Construction and land development	1,786,610	42,348	12,544	—	1,841,502	
Term	8,319,348	47,245	139,036	8,772	8,514,401	
Total commercial real estate	10,105,958	89,593	151,580	8,772	10,355,903	113,992
Consumer:						
Home equity credit line	2,404,635	—	11,722	—	2,416,357	
1-4 family residential	5,325,519	—	56,580	—	5,382,099	
Construction and other consumer real estate	381,738	—	3,502	—	385,240	
Bankcard and other revolving plans	440,282	—	3,498	—	443,780	
Other	186,836	—	313	—	187,149	
Total consumer loans	8,739,010	—	75,615	—	8,814,625	37,779
Total	$ 38,647,130	$ 634,390	$ 1,359,095	$ 8,927	$ 40,649,542	$ 606,048

Impaired Loans

Loans are considered impaired when, based on currprobent information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. For our non-purchased credit-impaired loans, if a nonaccrual loan has a balance greater than $1 million, or if a loan is a TDR, including TDRs that subsequently default, or if the loan is no longer reported as a TDR, we individually evaluate the loan for impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes. Purchased credit-impaired ("PCI") loans are included in impaired loans and are accounted for under separate accounting guidance. See subsequent discussion under Purchased Loans.

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan's underlying collateral, we generally charge-off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the years ended December 31, 2016 and 2015 was not significant.

Information on all impaired loans is summarized as follows, including the average recorded investment and interest income recognized for the years ended December 31, 2016 and 2015:

(In thousands)	December 31, 2016					Year Ended December 31, 2016	
	Unpaid principal balance	Recorded investment		Total recorded investment	Related allowance	Average recorded investment	Interest income recognized
		with no allowance	with allowance				
Commercial:							
Commercial and industrial	$ 469,880	$ 82,197	$ 310,740	$ 392,937	$ 52,164	$ 332,775	$ 4,783
Owner-occupied	110,779	70,983	29,713	100,696	3,138	98,903	9,082
Municipal	1,331	852	—	852	—	892	—
Total commercial	581,990	154,032	340,453	494,485	55,302	432,570	13,865
Commercial real estate:							
Construction and land development	21,891	7,093	6,614	13,707	224	10,906	2,325
Term	78,991	52,987	16,725	69,712	1,305	76,421	12,810
Total commercial real estate	100,882	60,080	23,339	83,419	1,529	87,327	15,135
Consumer:							
Home equity credit line	24,531	15,466	6,831	22,297	477	21,680	1,324
1-4 family residential	59,271	27,366	28,430	55,796	5,549	56,573	1,683
Construction and other consumer real estate	3,128	859	1,763	2,622	364	2,487	132
Bankcard and other revolving plans	—	—	—	—	—	—	18
Other	1,592	1,110	30	1,140	2	2,019	353
Total consumer loans	88,522	44,801	37,054	81,855	6,392	82,759	3,510
Total	$ 771,394	$ 258,913	$ 400,846	$ 659,759	$ 63,223	$ 602,656	$ 32,510

(In thousands)	December 31, 2015					Year Ended December 31, 2015	
	Unpaid principal balance	Recorded investment		Total recorded investment	Related allowance	Average recorded investment	Interest income recognized
		with no allowance	with allowance				
Commercial:							
Commercial and industrial	$ 272,161	$ 44,190	$ 163,729	$ 207,919	$ 30,538	$ 153,756	$ 7,506
Owner-occupied	141,526	83,024	43,243	126,267	5,486	125,777	12,450
Municipal	1,430	951	—	951	—	994	—
Total commercial	415,117	128,165	206,972	335,137	36,024	280,527	19,956
Commercial real estate:							
Construction and land development	22,791	5,076	9,558	14,634	618	16,192	6,410
Term	142,239	82,864	34,361	117,225	2,604	111,074	16,971
Total commercial real estate	165,030	87,940	43,919	131,859	3,222	127,266	23,381
Consumer:							
Home equity credit line	27,064	18,980	5,319	24,299	243	22,050	1,547
1-4 family residential	74,009	29,540	41,155	70,695	8,736	96,482	2,616
Construction and other consumer real estate	2,741	989	1,014	2,003	173	2,288	123
Bankcard and other revolving plans	—	—	—	—	—	1	102
Other	3,187	36	2,570	2,606	299	3,781	838
Total consumer loans	107,001	49,545	50,058	99,603	9,451	124,602	5,226
Total	$ 687,148	$ 265,650	$ 300,949	$ 566,599	$ 48,697	$ 532,395	$ 48,563

Modified and Restructured Loans

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

accommodate a borrower who is experiencing financial difficulties, and for which the Company has granted a concession that it would not otherwise consider, are considered TDRs.

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

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

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

	December 31, 2016						
	Recorded investment resulting from the following modification types:						
(In thousands)	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$ 241	$ 18,674	$ —	$ 67	$ 43	$ 27,679	$ 46,704
Owner-occupied	2,543	191	887	—	7,832	10,616	22,069
Total commercial	2,784	18,865	887	67	7,875	38,295	68,773
Commercial real estate:							
Construction and land development	40	3,425	—	—	—	3,414	6,879
Term	4,491	224	162	979	1,776	10,403	18,035
Total commercial real estate	4,531	3,649	162	979	1,776	13,817	24,914
Consumer:							
Home equity credit line	195	1,451	9,903	4	161	2,554	14,268
1-4 family residential	2,301	419	6,476	252	2,608	29,487	41,543
Construction and other consumer real estate	160	226	13	—	—	897	1,296
Other	—	—	122	—	—	—	122
Total consumer loans	2,656	2,096	16,514	256	2,769	32,938	57,229
Total accruing	9,971	24,610	17,563	1,302	12,420	85,050	150,916
Nonaccruing							
Commercial:							
Commercial and industrial	775	185	—	1,085	33,037	24,716	59,798
Owner-occupied	601	837	—	2,821	1,045	12,482	17,786
Municipal	—	852	—	—	—	—	852
Total commercial	1,376	1,874	—	3,906	34,082	37,198	78,436
Commercial real estate:							
Construction and land development	—	39	—	—	1,725	—	1,764
Term	1,659	1,058	—	—	2,474	2,939	8,130
Total commercial real estate	1,659	1,097	—	—	4,199	2,939	9,894
Consumer:							
Home equity credit line	—	431	1,036	35	—	670	2,172
1-4 family residential	—	158	1,643	292	1,253	4,830	8,176
Construction and other consumer real estate	—	88	92	1,145	1	—	1,326
Total consumer loans	—	677	2,771	1,472	1,254	5,500	11,674
Total nonaccruing	3,035	3,648	2,771	5,378	39,535	45,637	100,004
Total	$ 13,006	$ 28,258	$ 20,334	$ 6,680	$ 51,955	$ 130,687	$ 250,920

	December 31, 2015						
	Recorded investment resulting from the following modification types:						
(In thousands)	Interest rate below market	Maturity or term extension	Principal forgiveness	Payment deferral	Other[1]	Multiple modification types[2]	Total
Accruing							
Commercial:							
Commercial and industrial	$ 202	$ 3,236	$ 13	$ 100	$ 23,207	$ 34,473	$ 61,231
Owner-occupied	1,999	681	929	—	9,879	16,339	29,827
Total commercial	2,201	3,917	942	100	33,086	50,812	91,058
Commercial real estate:							
Construction and land development	94	—	—	—	—	9,698	9,792
Term	4,696	638	166	976	2,249	20,833	29,558
Total commercial real estate	4,790	638	166	976	2,249	30,531	39,350
Consumer:							
Home equity credit line	192	2,147	9,763	—	164	3,155	15,421
1-4 family residential	2,669	353	6,747	433	3,440	32,903	46,545
Construction and other consumer real estate	174	384	—	—	—	1,152	1,710
Other	—	—	—	—	—	—	—
Total consumer loans	3,035	2,884	16,510	433	3,604	37,210	63,676
Total accruing	10,026	7,439	17,618	1,509	38,939	118,553	194,084
Nonaccruing							
Commercial:							
Commercial and industrial	28	455	—	1,879	3,577	49,617	55,556
Owner-occupied	685	1,669	—	724	34	16,335	19,447
Municipal	—	951	—	—	—	—	951
Total commercial	713	3,075	—	2,603	3,611	65,952	75,954
Commercial real estate:							
Construction and land development	—	333	—	—	3,156	208	3,697
Term	1,844	—	—	—	2,960	5,203	10,007
Total commercial real estate	1,844	333	—	—	6,116	5,411	13,704
Consumer:							
Home equity credit line	7	500	1,400	54	—	233	2,194
1-4 family residential	—	275	2,052	136	1,180	7,299	10,942
Construction and other consumer real estate	—	101	17	48	—	44	210
Total consumer loans	7	876	3,469	238	1,180	7,576	13,346
Total nonaccruing	2,564	4,284	3,469	2,841	10,907	78,939	103,004
Total	$ 12,590	$ 11,723	$ 21,087	$ 4,350	$ 49,846	$ 197,492	$ 297,088

[1] *Includes TDRs that resulted from other modification types including, but not limited to, a legal judgment awarded on different terms, a bankruptcy plan confirmed on different terms, a settlement that includes the delivery of collateral in exchange for debt reduction, etc.*

[2] *Includes TDRs that resulted from a combination of any of the previous modification types.*

Unused commitments to extend credit on TDRs amounted to approximately $14.3 million at December 31, 2016 and $7.5 million at December 31, 2015.

The total recorded investment of all TDRs in which interest rates were modified below market was $127.9 million and $188.0 million at December 31, 2016 and 2015, respectively. These loans are included in the previous schedule in the columns for interest rate below market and multiple modification types.

The net financial impact on interest income due to interest rate modifications below market for accruing TDRs is summarized in the following schedule:

(In thousands)	2016	2015
Commercial:		
Commercial and industrial	$ (297)	$ (261)
Owner-occupied	(200)	(279)
Total commercial	(497)	(540)
Commercial real estate:		
Construction and land development	(4)	(90)
Term	(278)	(378)
Total commercial real estate	(282)	(468)
Consumer:		
Home equity credit line	—	(2)
1-4 family residential	(825)	(1,037)
Construction and other consumer real estate	(19)	(27)
Total consumer loans	(844)	(1,066)
Total decrease to interest income [1]	$ (1,623)	$ (2,074)

[1] *Calculated based on the difference between the modified rate and the premodified rate applied to the recorded investment.*

On an ongoing basis, we monitor the performance of all TDRs according to their restructured terms. Subsequent payment default is defined in terms of delinquency, when principal or interest payments are past due 90 days or more for commercial loans, or 60 days or more for consumer loans.

As of December 31, 2016, the recorded investment of accruing and nonaccruing TDRs that had a payment default during the year listed below (and are still in default at year-end) and are within 12 months or less of being modified as TDRs is as follows:

(In thousands)	December 31, 2016			December 31, 2015		
	Accruing	Nonaccruing	Total	Accruing	Nonaccruing	Total
Commercial:						
Commercial and industrial	$ 28	$ 618	$ 646	$ 883	$ 116	$ 999
Owner-occupied	—	822	822	—	1,684	1,684
Total commercial	28	1,440	1,468	883	1,800	2,683
Commercial real estate:						
Construction and land development	—	—	—	—	—	—
Term	—	—	—	—	—	—
Total commercial real estate	—	—	—	—	—	—
Consumer:						
Home equity credit line	—	132	132	—	—	—
1-4 family residential	—	308	308	—	722	722
Construction and other consumer real estate	—	1,128	1,128	—	—	—
Total consumer loans	—	1,568	1,568	—	722	722
Total	$ 28	$ 3,008	$ 3,036	$ 883	$ 2,522	$ 3,405

Note: Total loans modified as TDRs during the 12 months previous to December 31, 2016 and 2015 were $72.5 million and $134.0 million, respectively.

At December 31, 2016 and 2015, the amount of foreclosed residential real estate property held by the Company was approximately $1.9 million and $0.5 million, and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was approximately $9.6 million and $12.5 million, respectively.

Concentrations of Credit Risk

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 risks (whether on- or off-balance sheet) may occur when individual borrowers, groups of borrowers, or counterparties have similar economic characteristics, including industries, geographies, collateral types, sponsors, etc., 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 perform as contracted. See Note 7 for a discussion of counterparty risk associated with the Company's derivative transactions.

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. Based on this analysis, we believe that the loan portfolio is generally well diversified; however, there are certain significant concentrations in CRE and oil and gas-related lending. Further, we cannot guarantee that we have fully understood or mitigated all risk concentrations or correlated risks. We have adopted and adhere to concentration limits on various types of CRE lending, particularly construction and land development lending, leveraged and enterprise value lending, municipal lending, and oil and gas-related lending. All of these limits are continually monitored and revised as necessary.

Purchased Loans

Background and Accounting

We purchase loans in the ordinary course of business and account for them and the related interest income based on their performing status at the time of acquisition. PCI loans have evidence of credit deterioration at the time of acquisition and it is probable that not all contractual payments will be collected. Interest income for PCI loans is accounted for on an expected cash flow basis. Certain other loans acquired by the Company that are not credit-impaired include loans with revolving privileges and are excluded from the PCI tabular disclosures following. Interest income for these loans is accounted for on a contractual cash flow basis. Upon acquisition, in accordance with applicable accounting guidance, the acquired loans were recorded at their fair value without a corresponding ALLL. Certain acquired loans with similar characteristics such as risk exposure, type, size, etc., are grouped and accounted for in loan pools.

Outstanding Balances and Accretable Yield

The outstanding balances of all required payments and the related carrying amounts for PCI loans are as follows:

(In thousands)	December 31, 2016	December 31, 2015
Commercial	$ 44,960	$ 72,440
Commercial real estate	38,670	65,167
Consumer	8,504	11,082
Outstanding balance	$ 92,134	$ 148,689
Carrying amount	$ 77,172	$ 125,029
Less ALLL	568	945
Carrying amount, net	$ 76,604	$ 124,084

At the time of acquisition of PCI loans, 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 considered in estimating the expected cash flows.

Certain PCI loans are not accounted for as previously described because the estimation of cash flows to be collected involves a high degree of uncertainty. Under these circumstances, the accounting guidance provides that interest income is recognized on a cash basis similar to the cost recovery methodology for nonaccrual loans. The net

carrying amounts in the preceding schedule also include the amounts for these loans. There were no amounts of these loans at December 31, 2016 and December 31, 2015.

Changes in the accretable yield for PCI loans were as follows:

(In thousands)	2016	2015
Balance at beginning of year	$ 39,803	$ 45,055
Accretion	(24,479)	(40,077)
Reclassification from nonaccretable difference	11,167	22,190
Disposals and other	6,513	12,635
Balance at end of year	$ 33,004	$ 39,803

The primary drivers of reclassification to accretable yield from nonaccretable difference and increases in disposals and other were (1) changes in estimated cash flows, (2) unexpected payments on nonaccrual loans, and (3) recoveries on zero balance loans pools. See subsequent discussion under changes in cash flow estimates.

Allowance for Loan and Lease Losses Determination

For all acquired loans, the ALLL 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 acquired loans. The ALLL for acquired loans is included in the overall ALLL in the balance sheet.

During 2016, 2015 and 2014, we adjusted the ALLL for acquired loans by recording a provision for loan losses of $0.9 million in 2016, $0.3 million in 2015, and a negative provision of $(1.7) million in 2014. The provision is net of the ALLL reversals resulting from changes in cash flow estimates, which are discussed subsequently.

Changes in the provision for loan losses and related ALLL are driven in large part by the same factors that affect the changes in reclassification from nonaccretable difference to accretable yield, as discussed under changes in cash flow estimates.

Changes in Cash Flow Estimates

Over the life of the loan or loan pool, we continue to estimate cash flows expected to be collected. We evaluate quarterly at the balance sheet date whether the estimated present values of these loans using the effective interest rates have decreased below their carrying values. If so, we record a provision for loan losses.

For increases in carrying values that resulted from better than expected cash flows, we use such increases first to reverse any existing ALLL. During 2016, 2015, and 2014, total reversals to the ALLL, including the impact of increases in estimated cash flows, were $2.2 million in 2016 and $3.7 million in 2015, and $4.6 million in 2014. When there is no current ALLL, 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 impact of increased cash flow estimates recognized in the statement of income for acquired loans with no ALLL was approximately $18.6 million in 2016, $31.6 million in 2015, and $46.7 million in 2014, of additional interest income.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Objectives

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. We apply hedge accounting to certain derivatives executed for risk management purposes as described in more detail subsequently. However, we do not apply hedge accounting to all of the derivatives involved in our risk management activities. Derivatives not designated as accounting hedges 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.

Accounting

We record all derivatives on the balance sheet at fair value. Note 20 discusses the process to estimate fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting accounting 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 cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. In previous years, we used fair value hedges to manage interest rate exposure to certain long-term debt. These hedges have been terminated and their remaining balances were completely amortized into earnings during 2015.

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. We use interest rate swaps as part of our cash flow hedging strategy to hedge the variable cash flows associated with designated commercial loans. These 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 notional amount. During 2016 we closed our branch in Grand Cayman, Grand Cayman Islands B.W.I. and no longer have foreign operations. No derivatives were designated as hedges of investments in foreign operations during 2016.

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. 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 related variable-rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following December 31, 2016, we estimate that an additional $2.0 million will be reclassified.

Collateral and Credit Risk

Exposure to credit risk arises from the possibility of nonperformance by counterparties. Financial institutions which are well-capitalized and well established are the counterparties for those derivatives entered into for asset-liability management and to offset derivatives sold to our customers. The Company reduces its counterparty exposure for derivative contracts by centrally clearing all eligible derivatives.

For those derivatives that are not centrally cleared, the counterparties are typically financial institutions or customers of the Company. For those that are financial institutions, we manage our credit exposure through the use of a Credit Support Annex (“CSA”) to International Swaps and Derivative Association master agreements. Eligible collateral types are documented by the CSA and controlled under the Company’s general credit policies. Collateral balances are typically monitored on a daily basis. A valuation haircut policy reflects the fact that collateral may fall in value between the date the collateral is called and the date of liquidation or enforcement. In practice, all of the Company’s collateral held as credit risk mitigation under a CSA is cash.

We offer interest rate swaps to our customers to assist them in managing their exposure to changing interest rates. Upon issuance, all of these customer swaps are immediately offset through matching derivative contracts, such that the Company minimizes its interest rate risk exposure resulting from such transactions. Most of these customers do not have the capability for centralized clearing. Therefore, we manage the credit risk through loan underwriting

which includes a credit risk exposure formula for the swap, the same collateral and guarantee protection applicable to the loan and credit approvals, limits, and monitoring procedures. Fee income from customer swaps is included in other service charges, commissions and fees. No significant losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate. See Note 6 and 17 for further discussion of our underwriting, collateral requirements, and other procedures used to address credit risk.

Our derivative contracts require us to pledge collateral for derivatives that are in a net liability position at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At December 31, 2016, the fair value of our derivative liabilities was $59.2 million, for which we were required to pledge cash collateral of approximately $43.8 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor's or Moody's at December 31, 2016, the additional amount of collateral we could be required to pledge is approximately $1.1 million. As a result of the Dodd-Frank Act, all newly eligible derivatives entered into are cleared through a central clearinghouse. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if our credit rating were downgraded.

Derivative Amounts

Selected information with respect to notional amounts and recorded gross fair values at December 31, 2016 and 2015, and the related gain (loss) of derivative instruments for the years then ended is summarized as follows:

	December 31, 2016			December 31, 2015		
		Fair value			Fair value	
(In thousands)	Notional amount	Other assets	Other liabilities	Notional amount	Other assets	Other liabilities
Derivatives designated as hedging instruments						
Cash flow hedges: [1]						
Interest rate swaps	$ 1,387,500	$ 2,289	$ 1,148	$ 1,387,500	$ 5,461	$ 956
Total derivatives designated as hedging instruments	1,387,500	2,289	1,148	1,387,500	5,461	956
Derivatives not designated as hedging instruments						
Interest rate swaps	235,167	1,876	351	40,314	—	8
Interest rate swaps for customers [2]	4,162,264	48,754	49,050	3,256,190	51,353	53,843
Foreign exchange	424,215	11,276	8,672	463,064	20,824	17,761
Total derivatives not designated as hedging instruments	4,821,646	61,906	58,073	3,759,568	72,177	71,612
Total derivatives	$ 6,209,146	$ 64,195	$ 59,221	$ 5,147,068	$ 77,638	$ 72,568

(In thousands)	Year Ended December 31, 2016 OCI	Year Ended December 31, 2016 Reclassified from AOCI to interest income	Year Ended December 31, 2016 Noninterest income (expense)	Year Ended December 31, 2016 Offset to interest expense	Year Ended December 31, 2015 OCI	Year Ended December 31, 2015 Reclassified from AOCI to interest income	Year Ended December 31, 2015 Noninterest income (expense)	Year Ended December 31, 2015 Offset to interest expense
	Amount of derivative gain (loss) recognized/reclassified							
Derivatives designated as hedging instruments								
Cash flow hedges: [1]								
Interest rate swaps	$ 7,912	$ 11,290			$ 12,124	$ 9,004		
	7,912	11,290 [3]			12,124	9,004 [3]		
Fair value hedges:								
Terminated swaps on long-term debt				$ —				$ 1,504
Total derivatives designated as hedging instruments	7,912	11,290		—	12,124	9,004		1,504
Derivatives not designated as hedging instruments								
Interest rate swaps			$ 1,096				$ —	
Interest rate swaps for customers [2]			13,952				7,438	
Futures contracts			—				2	
Foreign exchange			10,696				9,519	
Total derivatives not designated as hedging instruments			25,744				16,959	
Total derivatives	$ 7,912	$ 11,290	$ 25,744	$ —	$ 12,124	$ 9,004	$ 16,959	$ 1,504

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

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

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

[3] *Amounts of $11.3 million for 2016 and $9.0 million for 2015 are the amounts of reclassification to earnings presented in the tabular changes of AOCI in Note 13.*

The fair value of derivative assets was reduced by a net credit valuation adjustment of $1.7 million and $2.4 million at December 31, 2016 and 2015, respectively. The fair value of derivative liabilities was reduced by a net debit valuation adjustment of $1.4 million at December 31, 2016. This amount was not significant at December 31, 2015. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

8. PREMISES, EQUIPMENT AND SOFTWARE, NET

Premises, equipment and software, net are summarized as follows:

(In thousands)	December 31, 2016	December 31, 2015
Land	$ 229,398	$ 229,693
Buildings	683,450	598,643
Furniture and equipment	457,745	459,975
Leasehold improvements	139,568	138,765
Software	354,763	295,428
Total	1,864,924	1,722,504
Less accumulated depreciation and amortization	845,416	817,042
Net book value	$ 1,019,508	$ 905,462

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Core deposit and other intangible assets and related accumulated amortization are as follows at December 31:

(In thousands)	Gross carrying amount		Accumulated amortization		Net carrying amount	
	2016	2015	2016	2015	2016	2015
Core deposit intangibles	$ 166,518	$ 166,518	$ (158,444)	$ (151,157)	$ 8,074	$ 15,361
Customer relationships and other intangibles	28,014	28,014	(27,668)	(27,103)	346	911
Total	$ 194,532	$ 194,532	$ (186,112)	$ (178,260)	$ 8,420	$ 16,272

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income.

Estimated amortization expense for core deposit and other intangible assets is as follows for the five years succeeding December 31, 2016:

(In thousands)	
2017	$ 6,404
2018	1,557
2019	459
2020	—
2021	—

Changes in the carrying amount of goodwill for operating segments with goodwill are as follows:

(In thousands)	Zions Bank	CB&T	Amegy	Consolidated Company
Balance at December 31, 2014	$ 19,514	$ 379,024	$ 615,591	$ 1,014,129
Impairment losses	—	—	—	—
Balance at December 31, 2015	19,514	379,024	615,591	1,014,129
Impairment losses	—	—	—	—
Balance at December 31, 2016	$ 19,514	$ 379,024	$ 615,591	$ 1,014,129

A company-wide annual impairment test is conducted as of October 1 of each year and updated on a more frequent basis when events or circumstances indicate that impairment could have taken place. Results of the testing for 2016 and 2015 concluded that no impairment was present in any of the operating segments.

10. DEPOSITS

At December 31, 2016, the scheduled maturities of all time deposits were as follows:

(In thousands)	
2017	$ 2,139,822
2018	291,826
2019	110,993
2020	109,927
2021	103,738
Thereafter	504
Total	$ 2,756,810

At December 31, 2016, the contractual maturities of domestic time deposits with a denomination of $100,000 and over were as follows: $417 million in 3 months or less, $401 million over 3 months through 6 months, $679 million over 6 months through 12 months, and $364 million over 12 months.

Domestic time deposits in denominations that meet or exceed the current FDIC insurance limit of $250,000 were $1.4 billion and $584 million at December 31, 2016 and 2015, respectively. Domestic time deposits under $250,000 were $1.4 billion and $1.5 billion at December 31, 2016 and 2015, respectively. As of December 31, 2016 there were no Foreign time deposits $250,000 and over, and $112 million at December 31, 2015.

Deposit overdrafts reclassified as loan balances were $11 million and $14 million at December 31, 2016 and 2015, respectively.

11. SHORT-TERM BORROWINGS

Selected information for federal funds and other short-term borrowings is as follows:

(In thousands)	2016	2015	2014
Federal funds purchased			
Average amount outstanding	$ 104,866	$ 105,910	$ 104,358
Average rate	0.29%	0.18%	0.17%
Highest month-end balance	147,900	122,461	124,093
Year-end balance	105,563	111,263	100,193
Average rate on outstandings at year-end	0.51%	0.25%	0.15%
Security repurchase agreements			
Average amount outstanding	311,045	127,358	116,190
Average rate	0.23%	0.11%	0.06%
Highest month-end balance	823,744	205,566	156,710
Year-end balance	196,385	205,566	118,600
Average rate on outstandings at year-end	0.26%	0.15%	0.13%
Other short-term borrowings, year-end balances			
Securities sold, not yet purchased	25,321	30,158	24,230
Other	500,000	—	1,200
Total federal funds and other short-term borrowings	$ 827,269	$ 346,987	$ 244,223

Federal funds purchased and security repurchase agreements generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis (e.g., 30 or 60 days). ZB, N.A. executes overnight repurchase agreements with sweep accounts in conjunction with a master repurchase agreement. When this occurs, securities under the Bank's control are pledged and interest is paid on the collected balance of the customers' accounts. For the non-sweep overnight and term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. Of the total security repurchase agreements at December 31, 2016, $58 million were overnight and $139 million were term.

ZB, N.A. may borrow from the FHLB under their lines of credit that are secured under blanket pledge arrangements. ZB, N.A. maintained unencumbered collateral with carrying amounts adjusted for the types of collateral pledged, equal to at least 100% of the outstanding advances. At December 31, 2016, the amount available for FHLB advances was approximately $13 billion and $500 million short-term FHLB advances were outstanding.

ZB, N.A. may also borrow from the Federal Reserve based on the amount of collateral pledged to a Federal Reserve Bank. At December 31, 2016, the amount available for additional Federal Reserve borrowings was approximately $4 billion.

12. LONG-TERM DEBT

Long-term debt is summarized as follows:

(In thousands)	December 31, 2016	December 31, 2015
Junior subordinated debentures related to trust preferred securities	$ —	$ 164,950
Subordinated notes	246,550	246,170
Senior notes	287,560	400,334
Capital lease obligations	740	912
Total	$ 534,850	$ 812,366

The preceding amounts represent the par value of the debt adjusted for any unamortized premium or discount or unamortized debt issuance costs. The amount of long-term debt as of December 31, 2015 presented in the schedule differs from the amount presented in our 2015 Form 10-K as a result of the reclassification of $5 million of unamortized debt issuance costs to long-term debt in compliance with ASU 2015-03.

Trust Preferred Securities

We elected to exercise our right to redeem the junior subordinated debentures related to trust preferred securities issued to the following trusts. Redemptions included a total of $129 million in the third quarter of 2016, and $36 million in the fourth quarter of 2016. The following schedule presents the outstanding trust preferred securities balances as of December 31, 2016 and 2015.

(In thousands)	December 31, 2016	December 31, 2015	Coupon rate [1]	Redemption Date
Amegy Statutory Trust I	$ —	$ 51,547	3mL+2.85% (3.38%)	September 17, 2016
Amegy Statutory Trust II	—	36,083	3mL+1.90% (2.22%)	October 7, 2016
Amegy Statutory Trust III	—	61,856	3mL+1.78% (2.29%)	September 15, 2016
Stockmen’s Statutory Trust II	—	7,732	3mL+3.15% (3.75%)	September 26, 2016
Stockmen’s Statutory Trust III	—	7,732	3mL+2.89% (3.42%)	September 17, 2016
Total	$ —	$ 164,950		

[1] *Designation of “3mL” is three-month LIBOR.*

The junior subordinated debentures for the Amegy and Stockmen’s Trusts were assumed by the Parent through previous acquisitions and mergers, and were previously direct and unsecured obligations of the Parent. They were subordinate to other indebtedness and general creditors.

Subordinated Notes

Subordinated notes were issued by the Parent and consist of the following at December 31, 2016:

(In thousands)	Subordinated notes		
Coupon rate	Balance	Par amount	Maturity
5.65%	$ 160,195	$ 162,000	Nov 2023
6.95%	86,355	87,891	Sep 2028
Total	$ 246,550	$ 249,891	

These notes are unsecured, and interest is payable quarterly on the 6.95% notes and semiannually on the 5.65% notes. For the 6.95% notes, interest payments commenced December 15, 2013 to the earliest possible redemption date of September 15, 2023, after which the interest rate changes to an annual floating rate equal to 3mL+3.89%. Interest payments on the 5.65% notes commenced May 15, 2014 to the earliest possible redemption date of November 15, 2018, after which they are payable quarterly at an annual floating rate equal to 3mL+4.19%.

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Senior Notes

Senior notes were issued by the Parent and consist of the following at December 31, 2016:

(In thousands)	Senior notes		
Coupon rate	Balance	Par amount	Maturity
4.50%	152,411	163,857	March 2017
4.50%	135,149	145,231	June 2023
Total	$ 287,560	$ 309,088	

These notes are unsecured and interest is payable semiannually. The notes were issued under a shelf registration filed with the SEC and were sold via the Company's online auction process and direct sales. The notes are not redeemable prior to maturity.

Debt Redemptions and Repurchases

We redeemed or repurchased the following amounts of long-term debt during 2016 and 2015:

(In thousands)	2016	2015
Note type	Par amount	Par amount
Trust preferred:		
3mL+2.85%		$ 3,093
3mL+2.85% (3.38%)	$ 51,547	
3mL+1.90% (2.22%)	36,083	
3mL+1.78% (2.29%)	61,856	
3mL+3.15% (3.75%)	7,732	
3mL+2.89% (3.42%)	7,732	
	164,950	3,093
Convertible subordinated notes:		
6.00%		79,276
5.50%		71,592
	—	150,868
Subordinated notes:		
6.00%		32,366
5.50%		52,078
	—	84,444
Senior notes:		
3.30% - 3.70%		27,281
3.60%	11,108	
4.00%	89,360	
	100,468	27,281
Federal Home Loan Bank Advances		22,009
Total	$ 265,418	$ 287,695

Debt Extinguishment Costs

Debt extinguishment costs are as follows for the years 2016, 2015 and 2014:

(In thousands)	2016	2015	2014
Early tender premiums	$ —	$ 2,395	$ 33,971
Write-offs of unamortized debt discount and issuance costs and fees	353	135	10,451
Total	$ 353	$ 2,530	$ 44,422

Maturities of Long-term Debt

Maturities of long-term debt are as follows for the years succeeding December 31, 2016:

(In thousands)	Consolidated	Parent only
2017	$ 152,608	$ 152,411
2018	225	—
2019	259	—
2020	59	—
2021	—	—
Thereafter	381,699	381,699
Total	$ 534,850	$ 534,110

The $381.7 million of Parent only maturities payable after 2021 consists of senior notes and subordinated notes.

13. SHAREHOLDERS' EQUITY

Preferred Stock

Preferred stock is without par value and has a liquidation preference of $1,000 per share, or $25 per depositary share. Except for Series I and J, all preferred shares were issued in the form of depositary shares, with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. All preferred shares are registered with the SEC.

In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings applicable to common shareholders and are paid on the 15th day of the months indicated in the following schedule. Dividends are approved by the Board of Directors and are subject to regulatory non-objection to a stress test and capital plan submitted to the Federal Reserve pursuant to the annual Comprehensive Capital Analysis and Review ("CCAR") process. Redemption of the preferred stock is at the Company's option after the expiration of any applicable redemption restrictions. The redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. Redemptions are subject to certain regulatory provisions, including the previously noted capital plan non-objection for a submitted capital plan in a given year.

Preferred stock is summarized as follows:

(Amounts in thousands except share amounts)	Carrying value at December 31,		Shares at December 31, 2016					Rate following earliest redemption date	Dividends payable after rate change
	2016	**2015**	**Authorized**	**Outstanding**	**Rate**	**Dividends payable**	**Earliest redemption date**	(when applicable)	
Series A	$ 66,316	$ 66,316	140,000	66,139	> of 4.0% or 3mL+0.52%	Qtrly Mar,Jun,Sep,Dec	Dec 15, 2011		
Series F	143,750	143,750	250,000	143,750	7.9%	Qtrly Mar,Jun,Sep,Dec	Jun 15, 2017		
Series G	138,391	171,827	200,000	138,391	6.3%	Qtrly Mar,Jun,Sep,Dec	Mar 15, 2023	annual float-ing rate = 3mL+4.24%	
Series H	126,221	126,221	126,221	126,221	5.75%	Qtrly Mar,Jun,Sep,Dec	Jun 15, 2019		
Series I	98,555	125,224	300,893	98,555	5.8%	Semi-annually Jun,Dec	Jun 15, 2023	annual float-ing rate = 3mL+3.8%	Qtrly Mar,Jun,Sep,Dec
Series J	136,368	195,152	195,152	136,368	7.2%	Semi-annually Mar,Sep	Sep 15, 2023	annual float-ing rate = 3mL+4.44%	Qtrly Mar,Jun,Sep,Dec
Total	$ 709,601	$ 828,490							

Preferred Stock Redemptions

During 2016, we launched a cash tender offer to purchase up to $120 million par amount of certain outstanding preferred stock. Our preferred stock decreased by $119 million as a result of the tender offer, including the purchase of $27 million of our Series I preferred stock, $59 million of our Series J preferred stock, and $33 million of our Series G preferred stock for an aggregate cash payment of $126 million. The total one-time reduction to net earnings applicable to common shareholders associated with the preferred stock redemption was $9.8 million.

We also launched a $180 million cash tender offer during 2015, which resulted in a Series I preferred stock redemption of approximately $176 million. The size and terms of the offers in 2016 and 2015 were determined in accordance with the Company's 2015 capital plan. Our 2016 capital plan (which spans the timeframe of July 2016 to June 2017) allows for the redemption of up to $144 million of preferred equity.

Common Stock

The Company commenced its common stock buyback program during 2016 and repurchased 2.89 million shares of common shares outstanding with a fair value of $90 million at an average price of $31.15 per share. During the first quarter of 2017, the Company repurchased an additional $45 million of common stock at an average price of $42.43 per share, leaving $45 million of buyback capacity remaining in the 2016 capital plan.

Common Stock Warrants

As of December 31, 2016, we have 5.8 million common stock warrants at an exercise price of $36.27 per share which expire on November 14, 2018. These warrants were associated with the preferred stock issued under the Troubled Asset Relief Program which was redeemed in 2012. In addition, we have 29.3 million common stock warrants at an exercise price of $35.82, as of December 31, 2016, which expire on May 22, 2020.

Accumulated Other Comprehensive Income

Changes in AOCI by component are as follows:

(In thousands)	Net unrealized gains (losses) on investment securities	Net unrealized gains (losses) on derivatives and other	Pension and post-retirement	Total
2016				
Balance at December 31, 2015	$ (18,369)	$ 1,546	$ (37,789)	$ (54,612)
Other comprehensive income (loss) before reclassifications, net of tax	(73,985)	7,093	1,756	(65,136)
Amounts reclassified from AOCI, net of tax	(63)	(7,000)	5,230	(1,833)
Other comprehensive income (loss)	(74,048)	93	6,986	(66,969)
Balance at December 31, 2016	$ (92,417)	$ 1,639	$ (30,803)	$ (121,581)
Income tax expense (benefit) included in other comprehensive income (loss)	$ (44,898)	$ (76)	$ 5,356	$ (39,618)
2015				
Balance at December 31, 2014	$ (91,921)	$ 2,226	$ (38,346)	$ (128,041)
Other comprehensive income (loss) before reclassifications, net of tax	(12,471)	4,903	(3,161)	(10,729)
Amounts reclassified from AOCI, net of tax	86,023	(5,583)	3,718	84,158
Other comprehensive income (loss)	73,552	(680)	557	73,429
Balance at December 31, 2015	$ (18,369)	$ 1,546	$ (37,789)	$ (54,612)
Income tax expense (benefit) included in other comprehensive income (loss)	$ 48,422	$ (331)	$ 374	$ 48,465

(In thousands)	Amounts reclassified from AOCI [1]			Statement of Income (SI) Balance Sheet (BS)	
Details about AOCI components	2016	2015	2014		Affected line item
Net realized gains (losses) on investment securities	$ 102	$ (138,735)	$ 10,419	SI	Fixed income securities gains (losses), net
Income tax expense (benefit)	39	(52,712)	3,971		
	63	(86,023)	6,448		
Net unrealized losses on investment securities	—	—	(27)	SI	Net impairment losses on investment securities
Income tax benefit	—	—	(10)		
	—	—	(17)		
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	—	(1,878)	BS	Investment securities, held-to-maturity
Deferred income taxes	—	—	767	BS	Other assets
	$ 63	$ (86,023)	$ 5,320		
Net unrealized gains on derivative instruments	$ 11,290	$ 9,004	$ 2,594	SI	Interest and fees on loans
Income tax expense	4,290	3,421	989		
	$ 7,000	$ 5,583	$ 1,605		
Amortization of net actuarial loss	$ (8,436)	$ (5,996)	$ (2,843)	SI	Salaries and employee benefits
Amortization of prior service cost	—	—	(50)	SI	Salaries and employee benefits
Income tax benefit	(3,206)	(2,278)	(1,103)		
	$ (5,230)	$ (3,718)	$ (1,790)		

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

Deferred Compensation

Deferred compensation consists of invested assets, including the Company's common stock, which are held in rabbi trusts for certain employees and directors. At December 31, 2016 and 2015, the cost of the common stock included in retained earnings was approximately $14.1 million and $15.2 million, respectively. We consolidate the fair value of invested assets of the trusts along with the total obligations and include them in other assets and other liabilities, respectively, in the balance sheet. At December 31, 2016 and 2015, total invested assets were approximately $91.0 million and $81.8 million and total obligations were approximately $105.2 million and $96.9 million, respectively.

14. INCOME TAXES

Income tax expense is summarized as follows:

(In thousands)	2016	2015	2014
Federal:			
Current	$ 217,400	$ 158,164	$ 178,450
Deferred	(4,108)	(31,843)	14,277
	213,292	126,321	192,727
State:			
Current	26,900	14,027	18,573
Deferred	(4,334)	2,040	11,661
	22,566	16,067	30,234
	$ 235,858	$ 142,388	$ 222,961

Income tax expense computed at the statutory federal income tax rate of 35% reconciles to actual income tax expense as follows:

(In thousands)	2016	2015	2014
Income tax expense at statutory federal rate	$ 246,718	$ 158,151	$ 217,498
State income taxes including credits, net	14,668	10,443	19,652
Other nondeductible expenses	3,149	3,205	2,949
Nontaxable income	(24,688)	(20,397)	(17,869)
Tax credits and other taxes	(1,704)	(2,926)	(1,717)
Other	(2,285)	(6,088)	2,448
	$ 235,858	$ 142,388	$ 222,961

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets ("DTA") and deferred tax liabilities are presented below:

	December 31,	
(In thousands)	2016	2015
Gross deferred tax assets:		
Book loan loss deduction in excess of tax	$ 240,881	$ 254,223
Pension and postretirement	19,332	24,749
Deferred compensation	87,420	91,665
Security investments and derivative fair value adjustments	56,628	11,254
Net operating losses, capital losses and tax credits	4,664	4,659
FDIC-supported transactions	5,086	9,157
Other	46,052	46,016
	460,063	441,723
Valuation allowance	(4,127)	(4,261)
Total deferred tax assets	455,936	437,462
Gross deferred tax liabilities:		
Core deposits and purchase accounting	(1,140)	(3,392)
Premises and equipment, due to differences in depreciation	(7,548)	(10,588)
Federal Home Loan Bank stock dividends	(3,800)	(10,042)
Leasing operations	(75,109)	(85,255)
Prepaid expenses	(6,534)	(9,001)
Prepaid pension reserves	(17,659)	(18,087)
Mortgage servicing	(9,844)	(6,845)
Subordinated debt modification	(30,762)	(46,451)
Deferred loan fees	(25,425)	(23,723)
Equity investments	(27,651)	(21,037)
Total deferred tax liabilities	(205,472)	(234,421)
Net deferred tax assets	$ 250,464	$ 203,041

The amount of net DTAs is included with other assets in the balance sheet. The $4.1 million and $4.3 million valuation allowances at December 31, 2016 and 2015, respectively, were for certain acquired net operating loss carryforwards included in our acquisition of the remaining interests in a less significant subsidiary. At December 31, 2016, excluding the $4.1 million, the tax effect of remaining net operating loss and tax credit carryforwards was approximately $0.5 million expiring through 2030.

We evaluate the DTAs on a regular basis to determine whether an additional valuation allowance is required. In conducting this evaluation, we have considered all available evidence, both positive and negative, based on the more likely than not criteria that such assets will be realized. This evaluation includes, but is not limited to: (1) available carryback potential to prior tax years; (2) potential future reversals of existing deferred tax liabilities, which historically have a reversal pattern generally consistent with DTAs; (3) potential tax planning strategies; and (4) future projected taxable income. 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 December 31, 2016.

We have a liability for unrecognized tax benefits relating to uncertain tax positions for tax credits on technology initiatives. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

(In thousands)	2016	2015	2014
Balance at beginning of year	$ 5,448	$ 3,255	$ 2,385
Tax positions related to current year:			
Additions	1,554	786	—
Reductions	—	—	—
Tax positions related to prior years:			
Additions	542	1,407	870
Reductions	—	—	—
Settlements with taxing authorities	—	—	—
Lapses in statutes of limitations	(3,255)	—	—
Balance at end of year	$ 4,289	$ 5,448	$ 3,255

At December 31, 2016 and 2015, the liability for unrecognized tax benefits included approximately $3.4 million and $3.9 million, respectively (net of the federal tax benefit on state issues) that, if recognized, would affect the effective tax rate. We do not have any unrecognized tax benefits that may decrease during the 12 months subsequent to December 31, 2016.

Interest and penalties related to unrecognized tax benefits are included in income tax expense in the statement of income. At December 31, 2016 and 2015, accrued interest and penalties recognized in the balance sheet, net of any federal and/or state tax benefits, were approximately $0.1 million and $0.7 million, respectively.

The Company and its subsidiaries file income tax returns in U.S. federal and various state jurisdictions. The Company is no longer subject to income tax examinations for years prior to 2012 for federal returns and 2011 for certain state returns.

15. NET EARNINGS PER COMMON SHARE

Basic and diluted net earnings per common share based on the weighted average outstanding shares are summarized as follows:

(In thousands, except per share amounts)	2016	2015	2014
Basic:			
Net income	$ 469,050	$ 309,471	$ 398,462
Less common and preferred dividends	115,418	107,990	103,111
Undistributed earnings	353,632	201,481	295,351
Less undistributed earnings applicable to nonvested shares	3,802	1,836	2,933
Undistributed earnings applicable to common shares	349,830	199,645	292,418
Distributed earnings applicable to common shares	57,180	44,816	30,983
Total earnings applicable to common shares	$ 407,010	$ 244,461	$ 323,401
Weighted average common shares outstanding	203,855	203,265	192,207
Net earnings per common share	$ 2.00	$ 1.20	$ 1.68
Diluted:			
Total earnings applicable to common shares	$ 407,010	$ 244,461	$ 323,401
Weighted average common shares outstanding	203,855	203,265	192,207
Additional weighted average dilutive shares	414	433	582
Weighted average diluted common shares outstanding	204,269	203,698	192,789
Net earnings per common share	$ 1.99	$ 1.20	$ 1.68

For 2016, preferred dividends were increased by a preferred stock redemption of $10 million that resulted from the partial redemption of the Company's Series I, J, and G preferred stock. See further discussion in Note 13.

16. SHARE-BASED COMPENSATION

We have a stock option and incentive plan which allows us to grant stock options, restricted stock, RSUs, and other awards to employees and nonemployee directors. Total shares authorized under the plan were 9,000,000 at December 31, 2016, of which 5,685,169 were available for future grants.

All share-based payments to employees, including grants of employee stock options, are recognized in the statement of income based on their fair values. The fair value of an equity award is estimated on the grant date without regard to service or performance vesting conditions.

We classify all share-based awards as equity instruments. Compensation expense is included in salaries and employee benefits in the statement of income, with the corresponding increase included in common stock. Substantially all awards of stock options, restricted stock, and RSUs have graded vesting that is recognized on a straight-line basis over the vesting period.

Compensation expense and the related tax benefit for all share-based awards were as follows:

(In thousands)	2016	2015	2014
Compensation expense	$ 26,144	$ 24,974	$ 23,632
Reduction of income tax expense	8,762	8,284	7,767

As of December 31, 2016, compensation expense not yet recognized for nonvested share-based awards was approximately $25.7 million, which is expected to be recognized over a weighted average period of 2.3 years.

The tax effects recognized from the exercise of stock options and the vesting of restricted stock and RSUs increased common stock by approximately $1.5 million in 2016, decreased common stock by approximately $0.8 million in 2015, and increased common stock by approximately $0.4 million in 2014. These amounts are included in the net activity under employee plans and related tax benefits in the statement of changes in shareholders' equity.

Stock Options

Stock options granted to employees generally vest at the rate of one third each year and expire seven years after the date of grant. For all stock options granted in 2016, 2015, and 2014, we used the Black-Scholes option pricing model to estimate the fair values of stock options in determining compensation expense. The following summarizes the weighted average of fair value and the significant assumptions used in applying the Black-Scholes model for options granted:

	2016	2015	2014
Weighted average of fair value for options granted	$ 5.24	$ 6.17	$ 6.10
Weighted average assumptions used:			
Expected dividend yield	1.3%	1.3%	1.3%
Expected volatility	30.0%	25.0%	25.1%
Risk-free interest rate	1.21%	1.57%	1.55%
Expected life (in years)	5.0	5.0	5.0

The assumptions for expected dividend yield, expected volatility, and expected life reflect management's judgment and include consideration of historical experience. Expected volatility is based in part on historical volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

The following summarizes our stock option activity for the three years ended December 31, 2016:

	Number of shares	Weighted average exercise price
Balance at December 31, 2013	5,874,590	$ 35.54
Granted	947,758	28.67
Exercised	(489,905)	21.60
Expired	(618,207)	73.28
Forfeited	(83,734)	25.72
Balance at December 31, 2014	5,630,502	31.60
Granted	740,300	29.01
Exercised	(1,165,287)	25.11
Expired	(1,322,067)	48.44
Forfeited	(79,353)	28.09
Balance at December 31, 2015	3,804,095	27.30
Granted	789,651	21.25
Exercised	(1,055,532)	23.75
Expired	(56,297)	61.60
Forfeited	(44,007)	27.66
Balance at December 31, 2016	3,437,910	26.44
Outstanding stock options exercisable as of:		
December 31, 2016	1,892,136	$ 27.60
December 31, 2015	2,187,259	26.35
December 31, 2014	3,804,873	33.86

We issue new authorized common shares for the exercise of stock options. The total intrinsic value of stock options exercised was approximately $10.0 million in 2016, $6.7 million in 2015, and $3.9 million in 2014. Cash received from the exercise of stock options was $23.8 million in 2016, $22.7 million in 2015, and $10.6 million in 2014.

Additional selected information on stock options at December 31, 2016 follows:

	Outstanding stock options			Exercisable stock options	
Exercise price range	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
$ 0.32 to $19.99	277,859	$ 17.81	2.4 [1]	277,859	$ 17.81
$20.00 to $24.99	1,121,039	21.97	4.4	382,396	23.84
$25.00 to $29.99	1,877,880	28.35	4.4	1,088,210	28.14
$30.00 to $44.99	52,379	30.10	3.3	34,918	30.10
$45.00 to $59.99	70,200	47.10	1.2	70,200	47.10
$60.00 to $79.99	2,553	72.08	0.1	2,553	72.08
$80.00 to $83.38	36,000	83.38	0.4	36,000	83.38
	3,437,910	26.44	4.1 [1]	1,892,136	27.60

[1] *The weighted average remaining contractual life excludes 21,252 stock options without a fixed expiration date that were assumed with the Amegy acquisition. They expire between the date of termination and one year from the date of termination, depending upon certain circumstances.*

The aggregate intrinsic value of outstanding stock options at December 31, 2016 and 2015 was $58.9 million and $8.0 million, respectively, while the aggregate intrinsic value of exercisable options was $31.0 million and $8.0 million at the same respective dates. For exercisable options, the weighted average remaining contractual life was 3.0 years and 3.1 years at December 31, 2016 and 2015, respectively, excluding the stock options previously noted without a fixed expiration date. At December 31, 2016, 1,491,656 stock options with a weighted average exercise

price of $25.03, a weighted average remaining life of 5.5 years, and an aggregate intrinsic value of $26.9 million, were expected to vest.

Restricted Stock and Restricted Stock Units

Restricted stock is common stock with certain restrictions that relate to trading and the possibility of forfeiture. Generally, restricted stock vests over four years. Holders of restricted stock have full voting rights and receive dividend equivalents during the vesting period. In addition, holders of restricted stock can make an election to be subject to income tax on the grant date rather than the vesting date.

RSUs represent rights to one share of common stock for each unit and generally vest over four years. Holders of RSUs receive dividend equivalents during the vesting period, but do not have voting rights.

Compensation expense is determined based on the number of restricted shares or RSUs granted and the market price of our common stock at the issue date.

Nonemployee directors were granted 32,310 RSUs in 2016; 31,080 RSUs in 2015; and 16,670 shares of restricted stock and 6,656 RSUs in 2014. The 2016 and 2015 RSUs vested immediately upon grant, and the 2014 awards vested over six months.

The following summarizes our restricted stock activity for the three years ended December 31, 2016:

	Number of shares	Weighted average issue price
Nonvested restricted shares at December 31, 2013	410,950	$ 22.46
Issued	16,670	28.87
Vested	(256,890)	23.23
Forfeited	(9,510)	23.68
Nonvested restricted shares at December 31, 2014	161,220	21.82
Issued	22,441	29.02
Vested	(123,161)	22.32
Forfeited	(1,130)	23.54
Nonvested restricted shares at December 31, 2015	59,370	23.49
Issued	36,594	24.43
Vested	(32,709)	20.80
Nonvested restricted shares at December 31, 2016	63,255	25.43

The following summarizes our RSU activity for the three years ended December 31, 2016:

	Number of restricted stock units	Weighted average grant price
Restricted stock units at December 31, 2013	1,522,038	$ 23.19
Granted	727,300	28.81
Vested	(416,755)	22.26
Forfeited	(63,163)	25.48
Restricted stock units at December 31, 2014	1,769,420	25.64
Granted	790,929	29.06
Vested	(673,385)	24.78
Forfeited	(88,421)	27.17
Restricted stock units at December 31, 2015	1,798,543	27.39
Granted	1,033,167	21.69
Vested	(724,713)	25.88
Forfeited	(59,839)	26.28
Restricted stock units at December 31, 2016	2,047,158	25.08

The total fair value at grant date of restricted stock and RSUs vested during the year was $19.4 million in both 2016 and 2015, and $15.2 million in 2014. At December 31, 2016, 63,255 shares of restricted stock and 1,370,435 RSUs were expected to vest with an aggregate intrinsic value of $2.7 million and $59.0 million, respectively.

17. COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES, AND RELATED PARTIES

Commitments and Guarantees

We use certain financial instruments, including derivative instruments, in the normal course of business to meet the financing needs of our customers, to reduce our own exposure to fluctuations in interest rates, and to make a market in U.S. Government, agency, corporate, and municipal securities. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amounts recognized in the balance sheet. Derivative instruments are discussed in Notes 7 and 20.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of our customers are as follows:

	December 31,	
(In thousands)	2016	2015
Net unfunded commitments to extend credit [1]	$ 18,273,714	$ 17,169,785
Standby letters of credit:		
Financial	771,269	661,554
Performance	195,451	216,843
Commercial letters of credit	60,320	18,447
Total unfunded lending commitments	$ 19,300,754	$ 18,066,629

[1] *Net of participations.*

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our initial credit evaluation of the counterparty. Types of collateral vary, but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2016, $5.9 billion of commitments expire in

2017. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of $568 million expiring in 2017 and $398 million expiring thereafter through 2027. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral when necessary. At December 31, 2016, the Company recorded $4.7 million as a liability for these guarantees, which consisted of $1.6 million attributable to the RULC and $3.1 million of deferred commitment fees.

Certain mortgage loans sold have limited recourse provisions for periods ranging from three months to one year. The amount of losses resulting from the exercise of these provisions has not been significant.

At December 31, 2016, we had unfunded commitments for PEIs of $26 million. These obligations have no stated maturity. PEIs related to these commitments prohibited by the Volcker Rule were $4 million. See the related discussion about these investments in Note 5.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular financial instrument class and is not a reflection of the actual level of risk. As of December 31, 2016 and 2015, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were $6.5 billion and $6.3 billion, respectively.

At December 31, 2016, we were required to maintain cash balances of $353.6 million with the Federal Reserve Banks to meet minimum balance requirements in accordance with FRB regulations.

Leases

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2017 and 2052. Premises leased under capital leases at December 31, 2016, were $1.2 million and accumulated amortization was $1.0 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2016, are as follows:

(in thousands)	
2017	$ 44,797
2018	42,963
2019	36,074
2020	31,043
2021	25,670
Thereafter	94,049
	$ 274,596

Future aggregate minimum rental payments have been reduced by noncancelable subleases as follows: $1.1 million in 2017, $1.1 million in 2018, $0.9 million in 2019, and $0.1 million in 2020. Aggregate rental expense on operating leases amounted to $64.8 million in 2016, $62.5 million in 2015, and $59.2 million in 2014.

Legal Matters

We are subject to litigation in court and arbitral proceedings, as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. Litigation may relate to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual

property matters, personal injuries and torts, regulatory and legal compliance, and other matters. While most matters relate to individual claims, we are also subject to putative class action claims and similar broader claims. Proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies may relate to our banking, investment advisory, trust, securities, and other products and services; our customers' involvement in money laundering, fraud, securities violations and other illicit activities or our policies and practices relating to such customer activities; and our compliance with the broad range of banking, securities and other laws and regulations applicable to us. At any given time, we may be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters.

As of December 31, 2016, we were subject to the following material litigation and governmental inquiries:

- a governmental inquiry conducted by the Department of Justice into our payment processing practices relating to certain telemarketing customers alleged to have engaged in fraudulent marketing practices. The factual issues related to this case are the same as those involved in the *Reyes* case, discussed subsequently. We commenced substantive settlement discussion with the U.S. Attorney's Office for the Eastern District of Pennsylvania in the third quarter of 2016. There can be no assurance, however, that the parties will be able to settle this matter.
- a civil suit, *Shou-En Wang v. CB&T*, brought against us in the Superior Court for Los Angeles County, Central District in April 2016. The case relates to our depositor relationships with customers who were promoters of an investment program that allegedly misappropriated investors' funds. This case is in an early phase, with initial motion practice having been completed.
- a civil suit, *McFarland as Trustee for International Manufacturing Group v. CB&T, et. al*., brought against us in the United States Bankruptcy Court for the Eastern District of California in May 2016. The Trustee seeks to recover loan payments previously repaid by borrower International Manufacturing Group, alleging that International Manufacturing Group, along with its principal, obtained loans and made loan repayments in furtherance of an alleged Ponzi scheme. This case is in an early phase with motion practice having commenced.

As of December 31, 2016, we considered the following previously reported matters to be closed:

- *Reyes v. Zions First National Bank, et. al.,* a class action brought against us in 2010 and conditionally settled in the second quarter of 2016. The settlement was finally approved by the court and the settlement payment was released from escrow in December 2016. We had fully reserved for our obligations with respect to the settlement. A portion of the settlement was covered by our insurance policies and was funded by our insurers.
- a governmental inquiry conducted by the Department of Justice into possible money laundering activities of one of our bank customers and our anti-money laundering practices relating to that customer. Our first contact with the United States Attorney's Office for the Southern District of New York relating to this matter occurred in early 2012. We have not received communication from the United States Attorney's Office for a substantial period of time.

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

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to meaningfully estimate such a range only for a limited number of matters. Based on information available as of December 31, 2016, we estimated that the aggregate range of reasonably possible losses for those matters to be from $0 million to roughly $20 million in excess of amounts accrued. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which a meaningful estimate is not possible are

not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

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

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

Related Party Transactions

We have no material related party transactions requiring disclosure. In the ordinary course of business, the Company and its subsidiary bank extend credit to related parties, including executive officers, directors, principal shareholders, and their associates and related interests. These related party loans are made in compliance with applicable banking regulations.

18. REGULATORY MATTERS

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Required capital levels are also subject to judgmental review by regulators.

The Basel III capital rules, which effectively replaced the Basel I rules, became effective for the Company on January 1, 2015 (subject to phase-in periods for certain of their components). In 2013, the FRB, FDIC, and Office of the Comptroller of the Currency (“OCC”) published final rules (the “Basel III Capital Rules”) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the Basel Committee’s December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company, compared to the Basel I U.S. risk-based capital rules.

Under prior Basel I capital standards, the effects of AOCI items included in capital were excluded for purposes of determining regulatory capital and capital ratios. As a “non-advanced approaches banking organization,” we made a

one-time permanent election as of January 1, 2015 to continue to exclude these items, as allowed under the Basel III Capital Rules.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the following schedule) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2016, all capital ratios of the Company and its subsidiary bank exceeded the "well-capitalized" levels under the regulatory framework for prompt corrective action. Dividends declared by our subsidiary bank in any calendar year may not, without the approval of the appropriate federal regulators, exceed specified criteria.

Appropriate capital levels and distributions of capital to shareholders for the Company and other "systemically important financial institutions" are also subject to annual "stress tests" performed as a part of the Federal Reserve's CCAR process.

The stress tests seek to comprehensively measure all risks to which the institution is exposed, including credit, liquidity, market, operating and other risks, the losses that could result from those risk exposures under adverse scenarios, and the institution's resulting capital levels. These stress tests have both a qualitative and a quantitative component. The qualitative component evaluates the robustness of the Company's risk identification, stress risk modeling, policies, capital planning, governance processes, and other components of a Capital Adequacy Process. The quantitative process subjects the Company's balance sheet and other risk characteristics to stress testing and independent determination by the Federal Reserve using its own models. Most capital actions, including for example, payment of dividends and repurchasing stock, are subject to non-objection by the Federal Reserve to a capital plan based on both the qualitative and quantitative assessments of the plan.

Because the Company's subsidiary bank has assets greater than $10 billion also it is subject to annual stress-testing and capital-planning processes examined by the OCC, known as the Dodd-Frank Act Stress Test ("DFAST").

The actual capital amounts and ratios at December 31, 2016 and 2015 for the Company and its subsidiary bank under Basel III are as follows:

(In thousands)	December 31, 2016		To be well-capitalized	
	Amount	Ratio	Amount	Ratio
Transitional Basis Basel III Regulatory Capital Rules				
Total capital (to risk-weighted assets)				
The Company	$ 7,608,502	15.24%	$ 4,993,671	10.00%
ZB, National Association	7,277,987	14.61	4,983,000	10.00
Tier 1 capital (to risk-weighted assets)				
The Company	6,737,638	13.49	3,994,937	8.00
ZB, National Association	6,654,990	13.36	3,986,400	8.00
Common equity tier 1 capital (Basel III)				
The Company	6,028,037	12.07	3,245,886	6.50
ZB, National Association	5,824,090	11.69	3,238,950	6.50
Tier 1 capital (to average assets)				
The Company	6,737,638	11.09	na	na [1]
ZB, National Association	6,654,990	10.99	3,027,427	5.00

(In thousands)	December 31, 2015		To be well-capitalized	
	Amount	Ratio	Amount	Ratio
Transitional Basis Basel III Regulatory Capital Rules				
Total capital (to risk-weighted assets)				
The Company	$ 7,535,760	16.12%	$ 4,674,725	10.00%
ZB, National Association	6,918,312	14.84	4,661,581	10.00
Tier 1 capital (to risk-weighted assets)				
The Company	6,580,326	14.08	3,739,780	8.00
ZB, National Association	6,334,391	13.59	3,729,265	8.00
Common equity tier 1 capital (Basel III)				
The Company	5,711,836	12.22	3,038,571	6.50
ZB, National Association	5,503,491	11.81	3,030,028	6.50
Tier 1 capital (to average assets)				
The Company	6,580,326	11.26	na	na [1]
ZB, National Association	6,334,391	10.97	2,886,732	5.00

[1] *There is no Tier 1 leverage ratio component in the definition of a well-capitalized bank holding company.*

Zions is also subject to “capital conservation buffer” regulatory requirements. When fully phased-in on January 1, 2019, the Basel III Capital Rules will require the Company and its subsidiary bank to maintain a 2.5% capital conservation buffer, designed to absorb losses during periods of economic stress, composed entirely of Common Equity Tier 1 (“CET1”), on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation. The implementation of the buffer will be phased-in beginning January 1, 2016 at the 0.625% level and increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019. Zions’ triggers and limits under actual conditions and baseline projections are more restrictive than the capital conservation buffer requirements.

19. RETIREMENT PLANS

Defined Benefit Plans

Pension – This qualified noncontributory defined benefit plan is frozen to new participation. No service-related benefits have been since July 1, 2013. All participants in the Plan are currently 100% vested in their benefits. Plan assets consist principally of corporate equity securities, mutual fund investments, real estate, and fixed income investments. Plan benefits are paid as a lump-sum cash value or an annuity at retirement age. Contributions to the plan are based on actuarial recommendation and pension regulations. Although there was no minimum regulatory contribution required in 2016, we elected to contribute $4 million to the pension plan. Currently, it is expected that no minimum regulatory contributions will be required in 2017.

Supplemental Retirement – These unfunded nonqualified plans are for certain current and former employees. Each year, Company contributions to these plans are made in amounts sufficient to meet benefit payments to plan participants.

Postretirement Medical/Life – This unfunded health care and life insurance plan provides postretirement medical benefits to certain full-time employees who meet minimum age and service requirements. The plan also provides specified life insurance benefits to certain employees. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organization options. Our contribution towards the retiree medical premium has been permanently frozen at an amount that does not increase in any future year. Retirees pay the difference between the full premium rates and our capped contribution.

Because our contribution rate is capped, there is no effect on the postretirement plan from assumed increases or decreases in health care cost trends. Each year, Company contributions to the plan are made in amounts sufficient to meet the portion of the premiums that are the Company's responsibility.

The following presents the change in benefit obligation, change in fair value of plan assets, and funded status, of the plans and amounts recognized in the balance sheet as of the measurement date of December 31:

(In thousands)	Pension		Supplemental Retirement		Postretirement	
	2016	2015	2016	2015	2016	2015
Change in benefit obligation:						
Benefit obligation at beginning of year	$ 173,208	$ 185,944	$ 9,994	$ 10,595	$ 954	$ 1,067
Service cost	—	—	—	—	21	33
Interest cost	6,995	7,094	402	403	38	40
Actuarial (gain) loss	(2,097)	(8,085)	110	(226)	7	(121)
Benefits paid	(12,977)	(11,745)	(786)	(778)	(81)	(65)
Benefit obligation at end of year	165,129	173,208	9,720	9,994	939	954
Change in fair value of plan assets:						
Fair value of plan assets at beginning of year	157,318	170,199	—	—	—	—
Actual return on plan assets	13,326	(1,136)	—	—	—	—
Employer contributions	4,000	—	786	778	81	65
Benefits paid	(12,977)	(11,745)	(786)	(778)	(81)	(65)
Fair value of plan assets at end of year	161,667	157,318	—	—	—	—
Funded status	$ (3,462)	$ (15,890)	$ (9,720)	$ (9,994)	$ (939)	$ (954)
Amounts recognized in balance sheet:						
Liability for pension/postretirement benefits	$ (3,462)	$ (15,890)	$ (9,720)	$ (9,994)	$ (939)	$ (954)
Accumulated other comprehensive income (loss)	(47,658)	(60,067)	(2,281)	(2,288)	258	332
Accumulated other comprehensive income (loss) consists of:						
Net gain (loss)	$ (47,658)	$ (60,067)	$ (2,281)	$ (2,288)	$ 258	$ 332

The liability for pension/postretirement benefits is included in other liabilities in the balance sheet. The accumulated benefit obligation is the same as the benefit obligation shown in the preceding schedule.

The amounts in AOCI (loss) at December 31, 2016 expected to be recognized as an expense component of net periodic benefit cost in 2017 for the plans are estimated as follows:

(In thousands)	Pension	Supplemental Retirement	Postretirement
Net gain (loss)	$ (4,866)	$ (123)	$ 52

The following presents the components of net periodic benefit cost (credit) for the plans:

(In thousands)	Pension			Supplemental Retirement			Postretirement		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ 21	$ 33	$ 31
Interest cost	6,995	7,094	7,468	402	403	454	38	40	47
Expected return on plan assets	(11,397)	(12,360)	(13,305)						
Amortization of net actuarial (gain) loss	6,149	5,926	2,895	117	123	19	(67)	(53)	(71)
Amortization of prior service cost				—	—	50	—	—	—
Settlement loss	2,235	—	—	—	—	—			
Net periodic benefit cost (credit)	$ 3,982	$ 660	$ (2,942)	$ 519	$ 526	$ 523	$ (8)	$ 20	$ 7

Weighted average assumptions based on the pension plan are the same where applicable for each of the plans and are as follows:

	2016	2015	2014
Used to determine benefit obligation at year-end:			
Discount rate	4.10%	4.20%	3.95%
Used to determine net periodic benefit cost for the years ended December 31:			
Discount rate	4.20	3.95	4.60
Expected long-term return on plan assets	7.50	7.50	8.00

The discount rate reflects the yields available on long-term, high-quality fixed income debt instruments with cash flows similar to the obligations of the pension plan, and is reset annually on the measurement date. The expected long-term rate of return on plan assets is based on a review of the target asset allocation of the plan. This rate is intended to approximate the long-term rate of return that we anticipate receiving on the plan's investments, considering the mix of the assets that the plan holds as investments, the expected return on these underlying investments, the diversification of these investments, and the rebalancing strategies employed. An expected long-term rate of return is assumed for each asset class and an underlying inflation rate assumption is determined.

Benefit payments to the plans' participants are estimated as follows for the years succeeding December 31, 2016:

(In thousands)	Pension	Supplemental Retirement	Postretirement
2017	$ 9,988	$ 1,911	$ 94
2018	10,051	855	99
2019	9,821	882	100
2020	10,181	834	103
2021	10,268	766	98
Years 2022 - 2026	50,166	3,309	419

We are also obligated under other supplemental retirement plans for certain current and former employees. Our liability for these plans was $6.4 million and $6.9 million at December 31, 2016 and 2015, respectively.

For the pension plan, the investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under the Employee Retirement Income Security Act of 1974. The asset allocation strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. Target investment allocation percentages as of December 31, 2016 are 65% in equity, 30% in fixed income and cash, and 5% in real estate assets.

The following presents the fair values of pension plan investments according to the fair value hierarchy described in Note 20, and the weighted average allocations:

	December 31, 2016				December 31, 2015			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Company common stock	$ 10,170			$ 10,170	$ 6,482			$ 6,482
Mutual funds:								
Debt	5,810			5,810	5,250			5,250
Guaranteed deposit account			$ 11,082	11,082			$ 9,484	9,484

In addition to the investments listed in the previous table, as of December 31, 2016, pension plan investments valued using NAV as the practical expedient for fair value consist of $91.9 million in equity investments, $28.8 million in debt investments, and $8.1 million in real estate investments, which are in pooled separate accounts, as well as $5.1 million in limited partnerships. As of December 31, 2015, pension plan investments valued using NAV

as the practical expedient for fair value consist of $88.4 million in equity investments, $31.7 million in debt instruments, and $9.9 million in real estate investments, which are in pooled separate accounts, as well as $6.2 million in limited partnerships.

No transfers of assets occurred among Levels 1, 2 or 3 during 2016 or 2015.

The following describes the pension plan investments and the valuation methodologies used to measure their fair value:

Company common stock – Shares of the Company's common stock are valued at the last reported sales price on the last business day of the plan year in the active market where individual securities are traded.

Mutual funds – These funds are valued at quoted market prices which represent the NAVs of shares held by the plan at year-end.

Insurance company pooled separate accounts – These funds are invested in by more than one investor. They are offered through separate accounts of the trustee's insurance company and managed by internal and professional advisors. Participation units in these accounts are valued at the NAV as the practical expedient for fair value as determined by the insurance company.

Guaranteed deposit account – This account is a group annuity product issued by the trustee's insurance company with guaranteed crediting rates established at the beginning of each calendar year. The account balance is stated at fair value as estimated by the trustee. The account is credited with deposits made, plus earnings at guaranteed crediting rates, less withdrawals and administrative expenses. The underlying investments generally include investment-grade public and privately traded debt securities, mortgage loans and, to a lesser extent, real estate and other equity investments. Market value adjustments are applied at the time of redemption if certain withdrawal limits are exceeded.

Additional fair value quantitative information for the guaranteed deposit account is as follows:

Principal valuation techniques	Significant unobservable inputs	Range (weighted average) of significant input values	
For the underlying investments – reported fair values when available for market traded investments; when not applicable, discounted cash flows under an income approach using U.S. Treasury rates and spreads based on cash flow timing and quality of assets.	Earnings at guaranteed crediting rate	Gross guaranteed crediting rate must be greater than or equal to contractual minimum crediting rate	
	Composite market value factor		At December 31,
		2016	0.979009 - 1.036866 (actual = 1.021418)
		2015	0.995927 - 1.049539 (actual = 1.042254)

The Company's Benefits Committee evaluates the methodology and factors used, including review of the contract, economic conditions, industry and market developments, and overall credit ratings of the underlying investments.

Limited partnerships – These partnerships invest in limited partnerships, limited liability companies, or similar investment vehicles that consist of PEIs in a wide variety of investment types, including venture and growth capital, real estate, energy and natural resources, and other private investments. The plan's investments are valued by the limited partnerships at NAV as the practical expedient for fair value. The estimation process takes into account the plan's proportional interests credited with realized and unrealized earnings from the underlying investments and charged for operating expenses and distributions. Investments are increased by capital calls and are part of an overall capital commitment by the plan of up to approximately $8.75 million at December 31, 2016.

The following presents additional information as of December 31, 2016 and 2015 for the pooled separate accounts and limited partnerships whose fair values under Levels 2 and 3 are based on NAV per share:

Investment	Unfunded commitments *(in thousands, approximately)*	Redemption	
		Frequency	Notice period
Pooled separate accounts	na	Daily	< $1 million, 1 day >= $1 million, 3 days
Limited partnerships	$ 1,600	Investments in these limited partnerships are illiquid and voluntary withdrawal is prohibited.	

The following reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs:

	Level 3 Instruments	
	Year Ended December 31,	
	2016	2015
(In thousands)	Guaranteed deposit account	Guaranteed deposit account
Balance at beginning of year	$ 9,484	$ 11,515
Net decreases included in plan statement of change in net assets available for benefits:		
Net operating fees and expenses	(481)	(376)
Net depreciation in fair value of investments:		
Unrealized	(151)	(628)
Interest and dividends	232	284
Purchases	14,974	10,428
Sales	(12,976)	(11,739)
Balance at end of year	$ 11,082	$ 9,484

Shares of Company common stock were 233,849 and at both December 31, 2016 and 2015. Dividends received by the plan were approximately $65 thousand in 2016 and $56 thousand in 2015.

Defined Contribution Plan

The Company offers a 401(k) and employee stock ownership plan under which employees select from several investment alternatives. Employees can contribute up to 80% of their earnings subject to the annual maximum allowed contribution. The Company matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Matching contributions to participants, which were shares of the Company's common stock purchased in the open market, amounted to $26.1 million in 2016, $25.5 million in 2015, and $24.3 million in 2014.

The 401(k) plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 6% of eligible compensation based upon the Company's return on average common equity for the year. The profit sharing expense was computed at a contribution rate of 1% for both 2016 and 2015 decreasing from a 2% rate in 2014. The profit sharing expense amounted to $6.3 million for 2016, $6.1 million for 2015 and $12.0 million for 2014. The profit sharing contribution to participants consisted of shares of the Company's common stock purchased in the open market.

20. FAIR VALUE

Fair Value Measurement

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

Level 1 – Quoted prices in active markets for identical assets or liabilities in active markets that the Company has the ability to access;

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in less active markets, observable inputs other than quoted prices that are used in the valuation of an asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined by pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety. Market activity is presumed to be orderly in the absence of evidence of forced or disorderly sales, although such sales may still be indicative of fair value. Applicable accounting guidance precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

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

Fair Value Policies and Procedures

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

Third Party Service Providers

We use a third party pricing service to measure fair value for approximately 91% of our AFS Level 2 securities. Fair value measurements for other AFS Level 2 securities generally use certain inputs corroborated by market data and include standard discounted cash flow analysis.

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

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

Available-for-Sale

U.S. Treasury, Agencies and Corporations

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

Municipal Securities

Municipal securities are measured under Level 2 generally using the third party pricing service or an internal model. Valuation inputs include Baa municipal curves, as well as FHLB and LIBOR swap curves. Our valuation methodology for non-rated municipal securities changed at year-end of 2015 to utilize more observable inputs, primarily municipal market yield curves, compared to our previous valuation method. The resulting values were determined to be Level 2.

Money Market Mutual Funds and Other

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

Trading Account

Securities in the trading account are generally measured under Level 2 using third party pricing service providers as described previously.

Bank-Owned Life Insurance

Bank-owned life insurance ("BOLI") is measured under Level 2 according to CSVs of the insurance policies that are provided by a third party service. Nearly all policies are general account policies with CSVs based on the Company's claims on the assets of the insurance companies. The insurance companies' investments include predominantly fixed income securities consisting of investment-grade corporate bonds and various types of mortgage instruments. Management regularly reviews its BOLI investment performance, including concentrations among insurance providers.

Private Equity Investments

Private equity investments are measured under Level 3. The majority of these investments are held in Zions' Small Business Investment Company and are early stage venture investments. The fair value measurements of these investments are reviewed on a quarterly basis by the Securities Valuation Committee. The Equity Investments Committee, consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available.

Certain valuation analytics may be employed that include current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors. A significant change in the expected performance of the individual investment would result in a change in the fair value measurement of the investment. The amount of unfunded commitments to invest is disclosed in Note 17. Certain restrictions apply for the redemption of these investments and certain investments are prohibited by the Volcker Rule. See discussions in Notes 5 and 17.

Agriculture Loan Servicing

This asset results from our servicing of agriculture loans approved and funded by Federal Agricultural Mortgage Corporation ("FAMC"). We provide this servicing under an agreement with FAMC for loans they own. The asset's fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

Interest-Only Strips

Interest-only strips are created as a by-product of the securitization process. When the guaranteed portions of SBA 7(a) loans are pooled, interest-only strips may be created in the pooling process. The asset's fair value represents our

projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

Deferred Compensation Plan Assets and Obligations

Invested assets in the deferred compensation plan consist of shares of registered investment companies. These mutual funds are valued under Level 1 at quoted market prices, which represents the NAV of shares held by the plan at the end of the period.

Derivatives

Derivatives are measured according to their classification as either exchange-traded or over-the-counter. Exchange-traded derivatives consist of foreign currency exchange contracts measured under Level 1 because they are traded in active markets. Over-the-counter derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are measured under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve and relevant overnight index swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect nonperformance risk for both the Company and the respective counterparty. These adjustments are determined generally by applying a credit spread to the total expected exposure of the derivative.

Securities Sold, Not Yet Purchased

Securities sold, not yet purchased, included in “Federal funds and other short-term borrowings” on the balance sheet, are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

Quantitative Disclosure by Fair Value Hierarchy

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

(In thousands)	December 31, 2016			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ —	$ 12,009,676	$ —	$ 12,009,676
Municipal securities		1,154,210		1,154,210
Other debt securities		23,892		23,892
Money market mutual funds and other	183,699	717		184,416
	183,699	13,188,495	—	13,372,194
Trading account		114,803		114,803
Other noninterest-bearing investments:				
Bank-owned life insurance		497,466		497,466
Private equity investments			128,654	128,654
Other assets:				
Agriculture loan servicing and interest-only strips			20,248	20,248
Deferred compensation plan assets	91,040			91,040
Derivatives:				
Interest rate related and other		4,165		4,165
Interest rate swaps for customers		48,754		48,754
Foreign currency exchange contracts	11,276			11,276
	11,276	52,919	—	64,195
	$ 286,015	$ 13,853,683	$ 148,902	$ 14,288,600
LIABILITIES				
Securities sold, not yet purchased	$ 25,321	$ —	$ —	$ 25,321
Other liabilities:				
Deferred compensation plan obligations	91,040			91,040
Derivatives:				
Interest rate related and other		1,499		1,499
Interest rate swaps for customers		49,050		49,050
Foreign currency exchange contracts	8,672			8,672
	8,672	50,549	—	59,221
	$ 125,033	$ 50,549	$ —	$ 175,582

(In thousands)	December 31, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury, agencies and corporations	$ —	$ 7,100,844	$ —	$ 7,100,844
Municipal securities		418,695		418,695
Other debt securities		22,941		22,941
Money market mutual funds and other	61,807	38,829		100,636
	61,807	7,581,309	—	7,643,116
Trading account		48,168		48,168
Other noninterest-bearing investments:				
Bank-owned life insurance		485,978		485,978
Private equity investments			120,027	120,027
Other assets:				
Agriculture loan servicing and interest-only strips			13,514	13,514
Deferred compensation plan assets	84,570			84,570
Derivatives:				
Interest rate related and other		5,966		5,966
Interest rate swaps for customers		51,353		51,353
Foreign currency exchange contracts	20,824			20,824
	20,824	57,319	—	78,143
	$ 167,201	$ 8,172,774	$ 133,541	$ 8,473,516
LIABILITIES				
Securities sold, not yet purchased	$ 30,158	$ —	$ —	$ 30,158
Other liabilities:				
Deferred compensation plan obligations	84,570			84,570
Derivatives:				
Interest rate related and other		835		835
Interest rate swaps for customers		53,843		53,843
Foreign currency exchange contracts	17,761			17,761
	17,761	54,678	—	72,439
	$ 132,489	$ 54,678	$ —	$ 187,167

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Reconciliation of Level 3 Fair Value Measurements

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

(In thousands)	Municipal securities	Trust preferred – banks and insurance	Other	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
	Level 3 Instruments					
	Year Ended December 31, 2016					
Balance at December 31, 2015	$ —	$ —	$ —	$ 120,027	$ 13,514	$ —
Total net gains (losses) included in:						
Statement of income:						
Dividends and other investment loss				(1,340)		
Equity securities gains, net				5,325		
Other noninterest income					7,549	
Purchases				19,174	368	
Sales				(3,673)		
Redemptions and paydowns				(10,859)	(1,183)	
Balance at December 31, 2016	$ —	$ —	$ —	$ 128,654	$ 20,248	$ —

(In thousands)	Municipal securities	Trust preferred – banks and insurance	Other	Private equity investments	Ag loan svcg and int-only strips	Derivatives and other liabilities
	Level 3 Instruments					
	Year Ended December 31, 2015					
Balance at December 31, 2014	$ 4,164	$ 393,007	$ 4,761	$ 97,649	$ 12,227	$ (12)
Total net gains (losses) included in:						
Statement of income:						
Accretion of purchase discount on securities available-for-sale	3	471				
Dividends and other investment loss				(3,657)		
Equity securities gains, net				7,270		
Fixed income securities losses, net	(344)	(136,691)	(606)			
Other noninterest income					1,480	
Other noninterest expense						12
Other comprehensive income (loss)	687	141,547	(74)			
Fair Value of HTM securities reclassified as AFS		57,308				
Purchases				24,898	993	
Sales	(2,651)	(440,055)	(4,081)	(4,107)		
Redemptions and paydowns	(1,859)	(15,587)		(2,026)	(1,186)	
Balance at December 31, 2015	$ —	$ —	$ —	$ 120,027	$ 13,514	$ —

[1] *Real Estate Investment Trust*

No transfers of assets or liabilities occurred among Levels 1, 2 or 3 for 2016 and 2015.

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

(In thousands)	Year Ended December 31, 2016	Year Ended December 31, 2015
Dividends and other investment loss	$ —	$ (2)
Equity securities gains (losses), net	5,727	(11,311)
Fixed income securities losses, net	—	(137,641)

Nonrecurring Fair Value Measurements

Included in the balance sheet amounts are the following amounts of assets that had fair value changes measured on a nonrecurring basis:

	Fair value at December 31, 2016				Gains (losses) from fair value changes Year Ended December 31, 2016
(In thousands)	Level 1	Level 2	Level 3	Total	
ASSETS					
Private equity investments, carried at cost	$ —	$ —	$ 1,297	$ 1,297	$ (522)
Impaired loans	—	51,842	—	51,842	(36,276)
Other real estate owned	—	871	—	871	(1,871)
	$ —	$ 52,713	$ 1,297	$ 54,010	$ (38,669)

	Fair value at December 31, 2015				Gains (losses) from fair value changes Year Ended December 31, 2016
(In thousands)	Level 1	Level 2	Level 3	Total	
ASSETS					
Private equity investments, carried at cost	$ —	$ —	$ 10,707	$ 10,707	$ (5,119)
Impaired loans	—	10,991	—	10,991	(12,039)
Other real estate owned	—	2,388	—	2,388	(2,467)
	$ —	$ 13,379	$ 10,707	$ 24,086	$ (19,625)

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

We recognized net gains of $3.7 million in 2016 and $4.0 million in 2015 from the sale of OREO properties that had a carrying value at the time of sale of approximately $12.8 million in 2016 and $19.2 million in 2015. Previous to their sale in these years, we recognized impairment on these properties of $0.2 million in 2016 and $0.6 million in 2015.

Private equity investments carried at cost were measured at fair value for impairment purposes according to the methodology previously discussed for these investments. Amounts of PEIs carried at cost were $13.3 million and $25.3 million at December 31, 2016 and 2015, respectively. Amounts of other noninterest-bearing investments carried at cost were $211.4 million and $191.5 million at December 31, 2016 and 2015, respectively, which were comprised of Federal Reserve and FHLB stock.

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

Measurement of fair value for collateral-dependent loans and OREO was based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). Any adjustments to calculated fair value were made based on recently completed and validated third party appraisals, third party appraisal services,

automated valuation services, or our informed judgment. Evaluations were made to determine that the appraisal process met the relevant concepts and requirements of applicable accounting guidance.

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

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

Fair Value of Certain Financial Instruments

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

(In thousands)	December 31, 2016			December 31, 2015		
	Carrying value	Estimated fair value	Level	Carrying value	Estimated fair value	Level
Financial assets:						
HTM investment securities	$ 867,904	$ 850,473	2	$ 545,648	$ 552,088	2
Loans and leases (including loans held for sale), net of allowance	42,253,677	42,110,544	3	40,193,374	39,535,365	3
Financial liabilities:						
Time deposits	2,756,810	2,743,885	2	2,130,680	2,129,742	2
Foreign deposits	—	—	2	294,391	294,321	2
Other short-term borrowings	500,000	500,000	2	—	—	2
Long-term debt (less fair value hedges)	534,850	551,881	2	812,366	838,796	2

This summary excludes financial assets and liabilities for which carrying value approximates fair value and financial instruments that are recorded at fair value on a recurring basis. Financial instruments for which carrying values approximate fair value include cash and due from banks, money market investments, demand, savings and money market deposits, federal funds purchased and other short-term borrowings, 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.

HTM investment securities primarily consist of municipal securities. They were measured at fair value according to the methodology previously discussed.

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

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

Long-term debt is measured at fair value based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads.

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

21. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. Following the close of business on December 31, 2015, we completed the merger of our subsidiary banks and certain non-banking subsidiaries, including Zions Management Services Company ("ZMSC"), with and into a single bank, ZB, N.A. We continue to manage our banking operations under our existing brand names, including Zions Bank, Amegy Bank, California Bank & Trust, National Bank of Arizona, Nevada State Bank, Vectra Bank Colorado, and The Commerce Bank of Washington. Performance assessment and resource allocation are based upon this geographical structure. Due to the charter consolidation, we have moved to an internal Funds Transfer Pricing ("FTP") allocation system to report results of operations for business segments. This process continues to be refined. Total loans and deposits presented for the banking segments do not include intercompany amounts between banking segments, but may include deposits with the Other segment. Prior period amounts have been reclassified to reflect these changes.

As of December 31, 2016, our banking business is conducted through seven locally managed and branded segments in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 98 branches in Utah, 23 branches in Idaho, and one branch in Wyoming. CB&T operates 93 branches in California. Amegy operates 74 branches in Texas. NBAZ operates 58 branches in Arizona. NSB operates 50 branches in Nevada. Vectra operates 36 branches in Colorado and one branch in New Mexico. TCBW operates one branch in Washington and one branch in Oregon.

The operating segment identified as "Other" includes the Parent, Zions Management Services Company (which was merged into Zions First National Bank on December 31, 2015), certain nonbank financial service subsidiaries, centralized back-office functions of the Bank, the Parent and eliminations of transactions between segments. The major components of net interest income at the Bank's back-office include the revenue associated with the investments securities portfolio and the offset of the FTP costs and benefits provided to the business segments. Throughout 2016 consolidation efforts continued, which resulted in transitioning full-time equivalent from the business segments to the Company's back-office units. Due to the continuing nature and timing of this change, the Company's back-office units retained more direct expenses in 2016 than in prior years. With the consolidation efforts largely completed, allocations of these expenses in future periods to the business segments will result in the "Other" segment's noninterest expenses that are more consistent with historical levels going forward.

The following schedule does not present total assets or income tax expense for each operating segment, but instead presents total loans, total deposits and income before income taxes because these are the metrics that management uses when evaluating and making decisions pertaining to the operating segments. The major components at the Parent include net interest income, which includes interest expense on other borrowed funds, net impairment losses on investment securities, and losses from the sale of the remaining CDO portfolio. The Parent's financial statements in Note 23 provide more information about the Parent's activities. The condensed statement of income identifies the components of income and expense which affect the operating amounts presented in the Other segment.

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.

The following is a summary of selected operating segment information:

(In millions)	Zions Bank			Amegy			CB&T		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
SELECTED INCOME STATEMENT DATA									
Net interest income	$ 633.1	$ 614.9	$ 628.8	$ 479.5	$ 475.4	$ 466.4	$ 450.0	$ 425.6	$ 444.1
Provision for loan losses	(21.6)	(28.3)	(58.5)	163.0	91.3	32.2	(9.1)	(4.4)	(20.1)
Net interest income after provision for loan losses	654.7	643.2	687.3	316.5	384.1	434.2	459.1	430.0	464.2
Noninterest income	148.6	132.7	143.0	122.5	120.6	127.5	67.2	63.4	60.6
Noninterest expense	392.5	430.7	439.9	317.1	372.7	357.3	268.2	294.2	321.3
Income (loss) before income taxes	$ 410.8	$ 345.2	$ 390.4	$ 121.9	$ 132.0	$ 204.4	$ 258.1	$ 199.2	$ 203.5
SELECTED BALANCE SHEET DATA									
Total loans	$ 12,560	$ 12,232	$ 12,172	$ 10,557	$ 10,115	$ 10,077	$ 9,381	$ 8,832	$ 8,530
Total deposits	16,764	16,233	16,214	11,924	11,677	11,491	10,969	10,520	9,707

(In millions)	NBAZ			NSB			Vectra		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
SELECTED INCOME STATEMENT DATA									
Net interest income	$ 196.7	$ 181.8	$ 181.1	$ 124.8	$ 125.3	$ 125.4	$ 123.1	$ 117.2	$ 114.0
Provision for loan losses	(3.1)	7.9	(21.5)	(28.4)	(28.3)	(20.9)	(7.9)	4.7	(8.4)
Net interest income after provision for loan losses	199.8	173.9	202.6	153.2	153.6	146.3	131.0	112.5	122.4
Noninterest income	39.7	36.1	33.5	39.4	36.3	34.9	22.8	21.3	22.3
Noninterest expense	129.9	132.7	145.1	123.5	131.3	132.7	87.3	97.6	98.3
Income (loss) before income taxes	$ 109.6	$ 77.3	$ 91.0	$ 69.1	$ 58.6	$ 48.5	$ 66.5	$ 36.2	$ 46.4
SELECTED BALANCE SHEET DATA									
Total loans	$ 4,292	$ 3,909	$ 3,750	$ 2,344	$ 2,285	$ 2,421	$ 2,528	$ 2,468	$ 2,320
Total deposits	4,609	4,369	4,133	4,243	4,035	3,690	2,842	2,889	2,591

(In millions)	TCBW			Other			Consolidated Company		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
SELECTED INCOME STATEMENT DATA									
Net interest income	$ 39.5	$ 34.6	$ 34.6	$ (179.3)	$ (259.5)	$ (314.4)	$ 1,867.4	$ 1,715.3	$ 1,680.0
Provision for loan losses	(0.2)	(2.9)	(0.9)	0.1	—	—	92.8	40.0	(98.1)
Net interest income after provision for loan losses	39.7	37.5	35.5	(179.4)	(259.5)	(314.4)	1,774.6	1,675.3	1,778.1
Noninterest income	4.6	4.1	4.1	70.8	(57.3)	66.8	515.6	357.2	492.7
Noninterest expense	18.6	16.5	33.4	248.2	104.9	121.4	1,585.3	1,580.6	1,649.4
Income (loss) before income taxes	$ 25.7	$ 25.1	$ 6.2	$ (356.8)	$ (421.7)	$ (369.0)	$ 704.9	$ 451.9	$ 621.4
SELECTED BALANCE SHEET DATA									
Total loans	$ 870	$ 704	$ 713	$ 117	$ 105	$ 81	$ 42,649	$ 40,650	$ 40,064
Total deposits	1,161	986	816	724	(335)	(794)	53,236	50,374	47,848

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2016 and 2015 is as follows:

(In thousands, except per share amounts)	Quarters				
	First	Second	Third	Fourth	Year
2016					
Gross interest income	$ 474,901	$ 486,952	$ 490,695	$ 501,766	$ 1,954,314
Net interest income	452,842	464,849	469,187	480,470	1,867,348
Provision for loan losses	42,145	34,492	18,825	(2,687)	92,775
Noninterest income:					
Investment securities gains (losses), net	(522)	2,734	8,480	(3,422)	7,270
Other noninterest income	117,283	122,983	136,407	131,666	508,339
Noninterest expense	395,573	381,894	403,292	404,515	1,585,274
Income before income taxes	131,885	174,180	191,957	206,886	704,908
Net income	90,437	113,949	127,263	137,401	469,050
Preferred stock dividends	(11,660)	(13,543)	(10,368)	(12,411)	(47,982)
Preferred stock redemption	—	(9,759)	—	—	(9,759)
Net earnings applicable to common shareholders	78,777	90,647	116,895	124,990	411,309
Net earnings per common share:					
Basic	$ 0.38	$ 0.44	$ 0.57	$ 0.61	$ 2.00
Diluted	0.38	0.44	0.57	0.60	1.99
2015					
Gross interest income	$ 448,446	$ 455,236	$ 456,230	$ 473,559	$ 1,833,471
Net interest income	417,346	423,704	425,377	448,833	1,715,260
Provision for loan losses	(1,494)	566	18,262	22,701	40,035
Noninterest income:					
Investment securities gains (losses), net	3,114	(133,597)	3,577	46	(126,860)
Other noninterest income	114,224	128,915	122,367	118,595	484,101
Noninterest expense	392,977	398,997	391,280	397,353	1,580,607
Income before income taxes	143,201	19,459	141,779	147,420	451,859
Net income	92,025	13,960	100,999	102,487	309,471
Preferred stock dividends	(16,746)	(15,060)	(16,761)	(14,290)	(62,857)
Net earnings (loss) applicable to common shareholders	75,279	(1,100)	84,238	88,197	246,614
Net earnings (loss) per common share:					
Basic	$ 0.37	$ (0.01)	$ 0.41	$ 0.43	$ 1.20
Diluted	0.37	(0.01)	0.41	0.43	1.20

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not affect net income. See related discussion in Note 1.

As discussed in Note 5, we recognized a loss during the second quarter of 2015 on the sale of our remaining CDO investment securities.

23. PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

(In thousands)	December 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	$ 2,023	$ 18,375
Interest-bearing deposits	528,531	775,649
Security resell agreements	—	100,000
Investment securities:		
Available-for-sale, at fair value	40,258	45,168
Other noninterest-bearing investments	28,719	28,178
Investments in subsidiaries:		
Commercial bank	7,570,521	7,312,654
Other subsidiaries	6,126	84,010
Receivables from subsidiaries:		
Other subsidiaries	—	60
Other assets	80,715	78,728
	$ 8,256,893	$ 8,442,822
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Other liabilities	$ 88,477	$ 123,849
Subordinated debt to affiliated trusts	—	164,950
Long-term debt:		
Due to others	534,110	646,504
Total liabilities	622,587	935,303
Shareholders’ equity:		
Preferred stock	709,601	828,490
Common stock	4,724,715	4,766,731
Retained earnings	2,321,571	1,966,910
Accumulated other comprehensive loss	(121,581)	(54,612)
Total shareholders’ equity	7,634,306	7,507,519
	$ 8,256,893	$ 8,442,822

Prior period amounts have been adjusted to reflect changes in the legal entity structure resulting from our charter consolidation discussed in Note 1.

CONDENSED STATEMENTS OF INCOME

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Interest income:			
Commercial bank	$ 559	$ 1,162	$ 1,489
Other subsidiaries	3	3	16
Other loans and securities	2,015	3,014	10,900
Total interest income	2,577	4,179	12,405
Interest expense:			
Affiliated trusts	3,484	4,308	4,265
Other borrowed funds	33,651	63,665	117,700
Total interest expense	37,135	67,973	121,965
Net interest loss	(34,558)	(63,794)	(109,560)
Other income:			
Dividends from consolidated subsidiaries:			
Commercial bank	263,149	233,853	236,012
Other subsidiaries	—	100	400
Equity and fixed income securities gains, net	—	37,161	300,275
Other income	4,490	12,512	6,475
	267,639	283,626	543,162
Expenses:			
Salaries and employee benefits	22,868	24,674	17,457
Debt extinguishment cost	353	135	44,422
Other operating expenses	(13,543)	10,473	10,559
	9,678	35,282	72,438
Income before income taxes and undistributed income of consolidated subsidiaries	223,403	184,550	361,164
Income tax expense (benefit)	(19,006)	(27,140)	55,865
Income before equity in undistributed income of consolidated subsidiaries	242,409	211,690	305,299
Equity in undistributed income (loss) of consolidated subsidiaries:			
Commercial bank	230,167	108,350	97,673
Other subsidiaries	(3,526)	(10,569)	(4,510)
Net income	469,050	309,471	398,462
Preferred stock dividends	(47,982)	(62,857)	(71,894)
Preferred stock redemption	(9,759)	—	—
Net earnings applicable to common shareholders	$ 411,309	$ 246,614	$ 326,568

Prior period amounts have been adjusted to reflect changes in the legal entity structure resulting from our charter consolidation discussed in Note 1.

CONDENSED STATEMENTS OF CASH FLOWS

(In thousands)	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 469,050	$ 309,471	$ 398,462
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed net income of consolidated subsidiaries	(226,641)	(97,781)	(93,163)
Debt extinguishment cost	353	135	44,422
Other, net	(31,048)	78,580	149,280
Net cash provided by operating activities	211,714	290,405	499,001
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease (increase) in money market investments	347,118	132,267	(1,007,844)
Collection of advances to subsidiaries	60	56,000	15,000
Advances to subsidiaries	—	(41,000)	(30,060)
Proceeds from sales and maturities of investment securities	3,878	124,419	372,357
Purchases of investment securities	—	(46,851)	—
Decrease of investment in subsidiaries	—	15,000	6,310
Other, net	7,342	4,010	24,319
Net cash provided by (used in) investing activities	358,398	243,845	(619,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term debt	(279,948)	(271,120)	(1,147,641)
Debt extinguishment cost paid	(353)	(135)	(35,435)
Proceeds from issuance of common stock	25,072	22,392	526,438
Cash paid for preferred stock redemptions	(126,144)	(175,669)	—
Common stock redeemed and retired	(97,240)	(6,681)	(5,589)
Dividends paid on preferred stock	(50,098)	(62,857)	(64,868)
Dividends paid on common stock	(57,753)	(45,198)	(31,262)
Other, net	—	(381)	(30)
Net cash used in financing activities	(586,464)	(539,649)	(758,387)
Net decrease in cash and due from banks	(16,352)	(5,399)	(879,304)
Cash and due from banks at beginning of year	18,375	23,774	903,078
Cash and due from banks at end of year	$ 2,023	$ 18,375	$ 23,774

The Parent paid interest of $35.0 million in 2016, $51.4 million in 2015, and $100.6 million in 2014.

Prior period amounts have been adjusted to reflect changes in the legal entity structure resulting from our charter consolidation discussed in Note 1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2016. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016. There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. See "Report on Management's Assessment of Internal Control over Financial Reporting" included in Item 8 on page 85 for management's report on the adequacy of internal control over financial reporting. Also see "Report on Internal Control over Financial Reporting" issued by Ernst & Young LLP included in Item 8 on page 86.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

EQUITY COMPENSATION PLAN INFORMATION

The following schedule provides information as of December 31, 2016 with respect to the shares of the Company's common stock that may be issued under existing equity compensation plans.

Plan category [1]	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by security holders:			
Zions Bancorporation 2015 Omnibus Incentive Plan	1,436,459	$ 24.78	5,685,169

[1] *Column (a) excludes 63,255 shares of unvested restricted stock, 2,047,158 restricted stock units (each unit representing the right to one share of common stock), and 1,980,199 shares of common stock issuable upon the exercise of stock options, with a weighted average exercise price of $27.87, granted under the prior plan. The schedule also excludes 21,252 shares of common stock issuable upon the exercise of stock options, with a weighted average exercise price of $5.02, granted under plans assumed in mergers that are outstanding.*

Other information required by Item 12 is incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the Company's Proxy Statement to be subsequently filed.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial statements – The following consolidated financial statements of Zions Bancorporation and subsidiaries are filed as part of this Form10-K under Item 8, Financial Statements and Supplementary Data:

Consolidated balance sheets – December 31, 2016 and 2015

Consolidated statements of income – Years ended December 31, 2016, 2015 and 2014

Consolidated statements of comprehensive income – Years ended December 31, 2016, 2015 and 2014

Consolidated statements of changes in shareholders' equity – Years ended December 31, 2016, 2015 and 2014

Consolidated statements of cash flows – Years ended December 31, 2016, 2015 and 2014

Notes to consolidated financial statements – December 31, 2016

(2) Financial statement schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

(3) List of Exhibits:

Exhibit Number	Description	
3.1	Restated Articles of Incorporation of Zions Bancorporation dated July 8, 2014, incorporated by reference to Exhibit 3.1 of Form 8-K/A filed on July 18, 2014.	*
3.2	Restated Bylaws of Zions Bancorporation dated February 27, 2015, incorporated by reference to Exhibit 3.2 of Form 10-Q for the quarter ended March 31, 2015.	*
4.1	Senior Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to senior debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.1 of Form 10-K for the year ended December 31, 2011.	*
4.2	Subordinated Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to subordinated debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.2 of Form 10-K for the year ended December 31, 2011.	*
4.3	Junior Subordinated Indenture dated August 21, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to junior subordinated debentures of Zions Bancorporation, incorporated by reference to Exhibit 4.3 of Form 10-K for the year ended December 31, 2011.	*

Exhibit Number	Description	
4.4	Warrant to purchase up to 5,789,909 shares of Common Stock, issued on November 14, 2008, incorporated by reference to Exhibit 4.4 of Form 10-K for the year ended December 31, 2013.	*
4.5	Warrant Agreement, between Zions Bancorporation and Zions First National Bank (now known as ZB, N.A.), and Warrant Certificate (filed herewith).	
10.1	Zions Bancorporation 2014-2016 Value Sharing Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2014.	*
10.2	Zions Bancorporation 2015-2017 Value Sharing Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended March 31, 2015.	*
10.3	Zions Bancorporation 2016-2018 Value Sharing Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2016.	*
10.4	Zions Bancorporation 2012 Management Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2012.	*
10.5	Zions Bancorporation 2017 Management Incentive Compensation Plan, incorporated by reference to Appendix I of the Company’s Proxy Statement dated April 14, 2016.	*
10.6	Zions Bancorporation Third Restated and Revised Deferred Compensation Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2013.	*
10.7	Zions Bancorporation Fourth Restated Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended September 30, 2013.	*
10.8	Amendment to the Zions Bancorporation Fourth Restated Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 10.8 of Form 10-K for the year ended December 31, 2015.	*
10.9	Amended and Restated Amegy Bancorporation, Inc. Non-Employee Directors Deferred Fee Plan, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended September 30, 2013.	*
10.10	Zions Bancorporation First Restated Excess Benefit Plan, incorporated by reference to Exhibit 10.8 of Form 10-K for the year ended December 31, 2014.	*
10.11	Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB effective October 1, 2002, incorporated by reference to Exhibit 10.9 of Form 10-K for the year ended December 31, 2012.	*
10.12	Amendment to the Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB substituting Prudential Bank & Trust, FSB as the trustee (filed herewith).	
10.13	Amendment to Trust Agreement Establishing the Zions Bancorporation Deferred Compensation Plans Trust, effective September 1, 2006, incorporated by reference to Exhibit 10.11 of Form 10-K for the year ended December 31, 2012.	*
10.14	Fifth Amendment to Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, incorporated by reference to Exhibit 10.5 of Form 10-Q for the quarter September 30, 2013.	*

Exhibit Number	Description	
10.15	Sixth Amendment to Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, dated August 17, 2015, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter September 30, 2015.	*
10.16	Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 1, 2006, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2012.	*
10.17	Revised schedule C to Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 13, 2006, incorporated by reference to Exhibit 10.13 of Form 10-K for the year ended December 31, 2012.	*
10.18	Third Amendment to the Zions Bancorporation Deferred Compensation Plans Master Trust agreement between Zions Bancorporation and Fidelity Management Trust Company, dated June 13, 2012, incorporated by reference to Exhibit 10.6 of Form 10-Q for the quarter ended June 30, 2012.	*
10.19	Zions Bancorporation Restated Pension Plan effective January 1, 2002, including amendments adopted through December 31, 2010 (filed herewith).	
10.20	First amendment to the Zions Bancorporation Pension Plan, dated June 28, 2013, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2013.	*
10.21	Zions Bancorporation Executive Management Pension Plan, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2014.	*
10.22	Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, Restated and Amended effective January 1, 2002, including amendments adopted through December 31, 2010 (filed herewith).	
10.23	First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, dated November 14, 2012, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2012.	*
10.24	Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated July 3, 2006, incorporated by reference to Exhibit 10.19 of Form 10-K for the year ended December 31, 2012.	*
10.25	First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.25 of Form 10-K for the year ended December 31, 2015.	*
10.26	Second Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.26 of Form 10-K for the year ended December 31, 2015.	*
10.27	Third Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 30, 2010, incorporated by reference to Exhibit 10.27 of Form 10-K for the year ended December 31, 2015.	*

Exhibit Number	Description	
10.28	Fourth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated October 1, 2014, incorporated by reference to Exhibit 10.25 of Form 10-K for the year ended December 31, 2014.	*
10.29	Fifth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated October 1, 2014, incorporated by reference to Exhibit 10.26 of Form 10-K for the year ended December 31, 2014.	*
10.30	Sixth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated August 17, 2015, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended September 30, 2015.	*
10.31	Seventh Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 27, 2016 (filed herewith).	
10.32	Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.1 of Form S-8 filed on July 1, 2015.	*
10.33	Form of Standard Restricted Stock Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.3 of Form S-8 filed on July 1, 2015.	*
10.34	Form of Standard Restricted Stock Unit Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.4 of Form S-8 filed on July 1, 2015.	*
10.35	Form of Standard Stock Option Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.6 of Form S-8 filed on July 1, 2015.	*
10.36	Form of Standard Directors Stock Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.7 of Form S-8 filed on July 1, 2015.	*
10.37	Form of Restricted Stock Award Agreement subject to holding requirement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.2 of Form S-8 filed on July 1, 2015.	*
10.38	Form of Restricted Stock Unit Agreement subject to holding requirement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.5 of Form S-8 filed on July 1, 2015.	*
10.39	Amegy Bancorporation 2004 (formerly Southwest Bancorporation of Texas, Inc.) Omnibus Incentive Plan, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2015.	*
10.40	Form of Change in Control Agreement between the Company and Certain Executive Officers, incorporated by reference to Exhibit 10.37 of Form 10-K for the year ended December 31, 2012.	*
10.41	Addendum to Change in Control Agreement, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2014.	*
10.42	Form of Change in Control Agreement between the Company and Dallas E. Haun, dated May 23, 2008, incorporated by reference to Exhibit 10.39 of Form 10-K for the year ended December 31, 2014.	*

Exhibit Number	Description
12	Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Dividends (filed herewith).
21	List of Subsidiaries of Zions Bancorporation (filed herewith).
23	Consent of Independent Registered Public Accounting Firm (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 December 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Income for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2016, December 31, 2015, and December 31, 2014, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, December 31, 2015, and December 31, 2014 and (vi) the Notes to Consolidated Financial Statements (filed herewith).

** Incorporated by reference*

Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 27, 2017 ZIONS BANCORPORATION

By /s/ Harris H. Simmons

HARRIS H. SIMMONS, Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

February 27, 2017

/s/ Harris H. Simmons	/s/ Paul E. Burdiss
HARRIS H. SIMMONS, Director, Chairman and Chief Executive Officer (Principal Executive Officer)	**PAUL E. BURDISS, Executive Vice President and Chief Financial Officer (Principal Financial Officer)**
/s/ Alexander J. Hume	/s/ Jerry C. Atkin
ALEXANDER J. HUME, Controller (Principal Accounting Officer)	**JERRY C. ATKIN, Director**
/s/ Gary L. Crittenden	/s/ Patricia Frobes
GARY L. CRITTENDEN, Director	**PATRICIA FROBES, Director**
/s/ Suren K. Gupta	/s/ J. David Heaney
SUREN K. GUPTA, Director	**J. DAVID HEANEY, Director**
/s/ Vivian S. Lee	/s/ Edward F. Murphy
VIVIAN S. LEE, Director	**EDWARD F. MURPHY, Director**
/s/ Roger B. Porter	/s/ Stephen D. Quinn
ROGER B. PORTER, Director	**STEPHEN D. QUINN, Director**

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Section 2: EX-4.5 (WARRANT AGREEMENT AND WARRANT CERTIFICATE)

EXHIBIT 4.5

WARRANT AGREEMENT

Dated May 25, 2010

between

ZIONS BANCORPORATION

and

ZIONS FIRST NATIONAL BANK

as Warrant Agent

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WARRANT AGREEMENT

This Warrant Agreement, dated May 25, 2010 (this "**Warrant Agreement**"), is between ZIONS BANCORPORATION, a corporation organized under the laws of the State of Utah (the "**Company**"), and ZIONS FIRST NATIONAL BANK, a national banking association organized under the laws of the United States with its principal place of business in the State of Utah (the "**Warrant Agent**").

WITNESSETH THAT:

WHEREAS, the Company proposes to issue Warrants (as defined herein) to purchase the Number of Shares (as defined herein) of Common Stock of the Company upon the terms and conditions set forth herein and in the Warrant Certificates (as defined herein) evidencing the Warrants; and

WHEREAS, the Company desires that the Warrant Agent act on behalf of the Company, and the Warrant Agent is willing to act, in connection with the issuance, exchange, transfer, substitution and exercise of Warrants.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the Company and the Warrant Agent agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. Certain Definitions. As used in this Warrant Agreement, the following terms shall have their respective meanings set forth below:

"**$**" and "**Dollars**" refers to such coin or currency of the United States as at any time of payment is legal tender for the payment of public and private debts.

"**Accounting Event**" means a reasonable determination by the Board of Directors that, under accounting rules, interpretations thereof or guidance thereunder (either formal or informal) issued by any accounting regulatory body, including the Securities and Exchange Commission, Financial Accounting Standards Board or Emerging Issues Task Force, the Company is required to account for the Warrants as either derivatives under the Financial Accounting Standards Board's Accounting Standards Codification ("**FASB ASC**") Section 815 "Derivatives and Hedging" (or any successor guidance) or as a liability under FASB ASC Section 480 "Distinguishing Liabilities from Equity" (or any successor guidance) or a derivative or liability under similar guidance by any other designated standard setter that issues or publishes accounting standards applicable to the Company; provided that, as a result of such determination, such accounting treatment for the Warrants shall take effect as of a date that is either prior to the date of such determination or within three months thereafter; and provided, further, that it shall not be an Accounting Event if any such determination arises from actions taken by the Company or any of its subsidiaries that amended or changed the terms of the Warrants.

"**Accounting Event Effective Date**" with respect to an Accounting Event means the date on which the Board of Directors makes the relevant determination with respect thereto.

"**Accounting Exercise Date**" has the meaning set forth in Section 5.01.

"**Adjustment Event**" has the meaning set forth in Section 6.16.

“**Agent Members**” has the meaning set forth in Section 2.05(b).

“**Applicable Price**” means, for any Designated Event, (i) if the consideration paid to holders of Common Stock in connection with such Designated Event consists exclusively of Cash, the amount of such Cash per share of Common Stock, and (ii) in all other cases, the average of the last reported sale prices of Common Stock for the 10 consecutive Trading Days immediately preceding the Effective Date of such Designated Event.

“**Authentication Order**” means a written order for authentication and delivery of Warrants, signed in the name of the Company by any two officers, at least one of whom must be its Chairman, its Chief Executive Officer, its Chief Financial Officer, its Treasurer, an Assistant Treasurer, or its Controller, and delivered to the Warrant Agent.

“**Board of Directors**” means the board of directors of the Company or any committee of such board of directors duly authorized to exercise the power of such board of directors with respect to the matters provided for in this Warrant Agreement as to which the board of directors is authorized or required to act.

“**Business Day**” means any day other than (i) a Saturday or Sunday or (ii) a day on which state or federally chartered banking institutions in New York City are not required to be open.

“**Calculation Period**” with respect to any Warrant means the 10 consecutive Trading Day period beginning on and including the Exercise Date for such Warrant, except that if a Warrant is exercised at any time after the 10th Scheduled Trading Day prior to the Expiration Date and until the Close of Business on the Expiration Date or upon a Cash Designated Event, then (i) the Warrant will be deemed to have been exercised the 10th Trading Day immediately preceding the Expiration Date or the Effective Date of such Cash Designated Event, as the case may be, and (ii) the Calculation Period for such Warrant will commence on the 10th Trading Day immediately preceding the Expiration Date or the Effective Date of such Cash Designated Event, as the case may be.

“**Capital Stock**” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of the Company.

“**Cash**” means such coin or currency of the United States as at any time of payment is legal tender for the payment of public and private debts.

“**Cash Designated Event**” has the meaning set forth in Section 4.04.

“**Certificated Warrant**” means a Warrant represented by a Warrant Certificate, in definitive, fully registered form that is not a Global Warrant.

“**Close of Business**” means 5:00 p.m., New York City time.

“**Closing Sale Price**” with respect to the Common Stock or any other security means, as of any date, the last reported per share sales price of a share of Common Stock or such other security on such date (or, if no last reported sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices on such date) as reported on the Nasdaq, or, if the Common Stock or such other security is not listed on the Nasdaq, as reported by the principal United States national or regional securities exchange or quotation system on which the Common Stock or such other security is then listed or quoted; provided, however, that, in the absence of such quotations, the Board of Directors will make a good faith determination of the Closing Sale Price.

If, during a period applicable for calculating the Closing Sale Price, an issuance, distribution, subdivision, combination or other transaction or event occurs that requires an adjustment to the Exercise Price or Number of Shares pursuant to Article 6, the Closing Sale Price shall be calculated for such period in a manner determined by the Company in good faith to appropriately reflect the impact of such issuance, distribution, subdivision or combination on the price of the Common Stock during such period.

“**Common Stock**” means the common stock, no par value per share, of the Company authorized at the date of this Warrant Agreement or as such stock may be constituted from time to time. Subject to the provisions of Section 6.07 and Section 6.08, shares for which Warrants are exercisable shall include only shares of the class designated as Common Stock of the Company as of the date of this Warrant Agreement or shares of any class or classes resulting from any reclassification or reclassifications or change or changes thereof and that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, and if at any time there shall be more than one such resulting class, the shares of each such class for which such Warrants are then exercisable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications or changes bears to the total number of shares of all such classes resulting from such reclassifications or changes.

“**Company**” has the meaning set forth in the preamble to this Warrant Agreement.

“**Daily Settlement Amount**” means, for each exercised Warrant, on each of the 10 consecutive Trading Days during the related Calculation Period, one-tenth (1/10th) of a number of shares (the “**Daily Net Share Settlement Value**”) equal to the product of (i) the Number of Shares and (ii) (A) the Daily VWAP of the Common Stock on such day, minus the applicable Exercise Price, divided by (B) such Daily VWAP. The Daily Net Share Settlement Value will be calculated to the nearest 1/10,000th of a share.

“**Daily VWAP**” of the Common Stock (or any security that is part of the Reference Property, if applicable), in respect of any Trading Day, means the per share volume-weighted average price of the Common Stock (or such other security) as displayed under the heading “Bloomberg VWAP” on Bloomberg Page ZION Equity AQR (or its equivalent successor if such page is not available, or the Bloomberg Page for any security that is part of the Reference Property, if applicable) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such Trading Day, without regard to after-hours trading or any trading outside the regular trading session, or, if such volume-weighted average price is unavailable (or the Reference Property is not a security), the market value of one share of Common Stock (or other Reference Property) on such Trading Day as determined by the Board of Directors in good faith in a commercially reasonable manner, using a volume-weighted average price method (unless the Reference Property is not a security); provided that, in making a volume-weighted average price determination, the Board of Directors may rely conclusively on the determination of daily volume-weighted average price for such Trading Day made by an independent nationally recognized securities dealer selected by the Board of Directors).

“**Depositary**” means The Depository Trust Company, its nominees, and their respective successors.

“**Designated Event**” means any of the following:

(i) any “person” or “group” (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of shares of the Company’s Voting Stock representing 50% or more of the total voting power of all outstanding classes of the Company’s Voting Stock;

(ii) the Company consolidates with, enters into a binding share exchange with, or merges with or into, another person or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets, or any person consolidates with, or merges with or into, the Company, in any such event, other than any transaction:

(A) pursuant to which the persons that “beneficially owned,” directly or indirectly, the shares of the Company’s Voting Stock immediately prior to such transaction “beneficially own,” directly or indirectly, shares of the Company’s Voting Stock representing at least a majority of the total voting power of all outstanding classes of Voting Stock of the surviving or transferee person, or of the parent entity of such surviving or transferee person, and such holders’ proportional voting power immediately after such transaction vis-à-vis each other with respect to the securities they receive in such transaction shall be in substantially the same proportions as their respective voting power vis-à-vis each other immediately prior to such transaction; or

(B) which is effected solely to change jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of the Common Stock solely into shares of common stock of the surviving entity; or

(iii) the holders of the Company’s Capital Stock approve any plan or proposal for the liquidation or dissolution of the Company.

“**Determination Date**” has the meaning set forth in Section 6.16.

“**Dividend Threshold Amount**” means $0.01 per share of Common Stock per quarter in the case of regular Cash dividends, adjusted in a manner proportional to adjustments made to the Exercise Price other than pursuant to Section 6.01(d) and to account for any change in the frequency of payment of the regular Cash dividend of the Company, and $0.00 in all other cases.

“**Effective Date**” has the meaning set forth in Section 4.01(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Ex-Date**” means, with respect to any dividend or distribution, the first date on which the shares of Common Stock trade, regular way, on the relevant exchange or in the relevant market from which the sale price was obtained, without the right to receive such dividend or distribution.

“**Exercise Date**” has the meaning set forth in Section 3.02(b).

“**Exercise Price**” means initially $36.63 per share of Common Stock for which a Warrant is exercisable, subject to adjustment pursuant to Article 6.

“**Expiration Date**” means, for any Warrant, May 22, 2020, regardless of whether such date is a Trading Day.

“**Global Warrant**” means a Warrant in the form of a permanent global Warrant Certificate, in definitive, fully registered form.

“**Global Warrant Legend**” has the meaning set forth in Section 2.05(a).

“**Market Disruption Event**” means (i) a failure by the primary United States exchange or market on which shares of Common Stock are listed or admitted to trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for shares of Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in shares of Common Stock or in any options, contracts or futures contracts relating to the Common Stock.

“**Measurement Period**” has the meaning set forth in Section 6.01(e).

“**Nasdaq**” means the **Nasdaq** Global Select Market.

“**Net Share Amount**” has the meaning set forth in Section 3.04.

“**Net Share Settlement**” means the settlement method pursuant to which an exercising Warrantholder shall be entitled to receive from the Company, for each Warrant exercised, a number of shares of Common Stock equal to the Net Share Amount without any payment therefor.

“**Number of Shares**” means the number of shares of Common Stock for which a Warrant is exercisable, which is subject to adjustment pursuant to Article 6. Initially, the Number of Shares shall be one.

“**Number of Warrants**” means, for a Warrant Certificate, the “Number of Warrants” specified on the face of such Warrant Certificate or, in the case of a Global Warrant, on Schedule A to such Warrant Certificate.

“**Offer Expiration Date**” has the meaning set forth in Section 6.01(e).

“**Offer Expiration Time**” has the meaning set forth in Section 6.01(e).

“**Officer’s Certificate**” means a certificate signed by any two officers of the Company, at least one of whom must be its Chairman, its Chief Executive Officer, its Chief Financial Officer, its Treasurer, an Assistant Treasurer, or its Controller.

“**Open of Business**” means 9:00 a.m., New York City time.

“**Opinion of Counsel**” means an opinion in writing signed by legal counsel, who may be an employee of or counsel to the Company and who shall otherwise be reasonably satisfactory to the Warrant Agent.

“**Person**” means an individual, partnership, firm, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

“**Preferred Stock**” means the preferred stock of the Company authorized at the date of this Warrant Agreement or as such stock may be constituted from time to time.

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any Cash, securities or other property or in which Common Stock (or other applicable security) is exchanged for or converted into any combination of Cash, securities or other property, the date fixed for determination of holders of Common Stock entitled to receive such Cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

“**Reference Property**” has the meaning set forth in Section 6.07(a).

“**Reorganization Event**” has the meaning set forth in Section 6.07(a).

“**Scheduled Trading Day**” means any day that is scheduled to be a Trading Day.

“**Settlement Date**” means, in respect of a Warrant that is exercised hereunder, the third Trading Day immediately following end of the applicable Calculation Period, subject to the last sentence of Section 3.04.

“**Spin-Off**” has the meaning set forth in Section 6.01(c).

“**Trading Day**” for a listed or traded security means a day on which (i) there is no Market Disruption Event, (ii) trading in the Common Stock (or any security that is part of the Reference Property, if applicable) generally occurs on the Nasdaq or, if the Common Stock (or such other Reference Property) is not then listed on the Nasdaq, on the principal other United States national or regional securities exchange on which the Common Stock (or such other Reference Property) is then listed or, if the Common Stock (or such other Reference Property) is not then listed on a United States national or regional securities exchange, on the principal other market on which the Common Stock (or such other Reference Property) is then traded, and (iii) the scheduled closing time for regular trading on the relevant market or exchange is 4:00 p.m., New York City time, or the then-standard closing time for regular trading on such relevant exchange or market. If the Common Stock (or such other reference property) is not so listed or traded, “Trading Day” means a Business Day.

“**Trigger Event**” has the meaning set forth in Section 6.03(a).

“**Unit of Reference Property**” has the meaning set forth in Section 6.07(a).

“**Unit Value**” has the meaning set forth in Section 6.07(c).

“**Valuation Period**” has the meaning set forth in Section 6.01(c).

“**Voting Stock**” means Capital Stock entitled to vote generally in elections of directors, or having the power, directly or indirectly, to elect a majority of the members of the Board of Directors.

“**Warrant**” means a warrant of the Company to purchase the Number of Shares and issued pursuant to this Warrant Agreement with the terms, conditions and rights set forth in this Warrant Agreement and in the Warrant Certificates evidencing the Warrants.

“**Warrant Agent**” means Zions First National Bank, in its capacity as warrant agent hereunder, or any successor warrant agent pursuant hereto.

“**Warrant Agreement**” means this Warrant Agreement, dated as of May 25, 2010, as it may be amended pursuant to the terms hereof.

“**Warrant Certificate**” means any certificate representing Warrants satisfying the requirements set forth in Section 2.03.

“**Warrant Register**” has the meaning set forth in Section 2.04(a).

“**Warrantholder**” means each Person in whose name Warrants are registered in the Warrant Register.

ARTICLE 2
ISSUANCE, EXECUTION AND TRANSFER OF WARRANTS

Section 2.01. Issuance of Warrants. (a) Warrants shall be issued in registered form only. The Company shall have executed and delivered to the Warrant Agent, for authentication and delivery, all Warrant Certificates, together with an Authentication Order with respect thereto, evidencing an initial aggregate Number of Warrants equal to 21,077,227 (such Number of Warrants subject to adjustment from time to time as described herein). The Warrant Agent shall have, upon receipt of such Warrant Certificate(s) and Authentication Order, authenticated and delivered such Warrant Certificate(s) in accordance with Section 2.02 and registered such Warrants in the name of the Warrantholder(s), initially the Depositary, in accordance with Section 2.05. All such Warrants shall be dated as of the date hereof.

(b) On any one or more dates after the execution and delivery of this Warrant Agreement, additional Warrant Certificates evidencing Warrants may be issued in accordance with this Section 2.01. Any such additional Warrants may be offered at a different public offering price than the Warrants dated as of the date hereof. Any additional Warrants issued after the execution and delivery of this Warrant Agreement will become part of the same series as the Warrants issued on the date hereof; provided that no such additional Warrants may be issued unless they will be fungible with the Warrants dated as of the date hereof for United States federal income tax and securities law purposes.

(c) All Warrants issued under this Warrant Agreement shall in all respects be equally and ratably entitled to the benefits hereof, without preference, priority, or distinction on account of the actual time of the issuance and authentication or any other terms thereof.

Section 2.02. Execution and Authentication of Warrants. (a) Warrants shall be executed on behalf of the Company by any of the Chairman, its Chief Executive Officer, its Chief Financial Officer, its Treasurer, an Assistant Treasurer, or its Controller and attested by its Secretary or any one of its Assistant Secretaries. The signature of any of these officers on any Warrant may be manual or facsimile. Typographical and other minor errors or defects in any such signature shall not affect the validity or enforceability of any Warrant that has been duly authenticated and delivered by the Warrant Agent.

(b) Warrants bearing the manual or facsimile signatures of individuals, each of whom was, at the time he or she signed such Warrant or his or her facsimile signature was affixed to such Warrant, as the case may be, a proper officer of the Company, shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Warrants or did not hold such offices at the date of such Warrants.

(c) No Warrant shall be entitled to any benefit under this Warrant Agreement or be valid or obligatory for any purpose unless there appears on such Warrant a certificate of authentication substantially in the form provided for herein executed by the Warrant Agent by manual or facsimile signature, and such certificate upon any Warrant shall be conclusive evidence, and the only evidence, that such Warrant has been duly authenticated and delivered hereunder.

Section 2.03. Form of Warrant Certificates. Each Warrant Certificate shall be in substantially the form set forth in Exhibit A hereto and shall have such insertions as are appropriate or required or permitted by this Warrant Agreement and may have such letters, numbers or other marks of identification and such legends and endorsements, stamped, printed, lithographed or engraved thereon, (a) as the Company may deem appropriate and as are not inconsistent with the provisions of this Warrant Agreement, (b) such as may be required to comply with this Warrant Agreement, any law or any rule of any securities exchange on which Warrants may be listed, and (c) such as may be necessary to conform to customary usage.

Section 2.04. Transfer, Exchange and Substitution. (a) The Company shall cause to be kept at the office of the Warrant Agent, and the Warrant Agent shall maintain, a register (the "Warrant Register") in which the Company shall provide for the registration of Warrants and transfers, exchanges or substitutions of Warrants as herein provided. All Warrants issued upon any registration of transfer or exchange of or substitution for Warrants shall be valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Warrant Agreement, as Warrants surrendered for such registration of transfer, exchange or substitution.

(b) A Warrantholder may transfer a Warrant only upon surrender of such Warrant for registration of transfer. No such transfer shall be effected until, and the transferee shall succeed to the rights of a Warrantholder only upon, final acceptance and registration of the transfer in the Warrant Register by the Warrant Agent. Prior to the registration of any transfer of a Warrant by a Warrantholder as provided herein, the Company, the Warrant Agent, and any agent of the Company or the Warrant Agent may treat the Person in whose name Warrants are registered as the owner thereof for all purposes and as the Person entitled to exercise the rights represented thereby, any notice to the contrary notwithstanding.

(c) Warrants may be presented or surrendered for registration of transfer, or for exchange or substitution at the offices of the Warrant Agent. Every Warrant presented or surrendered for registration of transfer or for exchange or substitution shall (if so required by the Company or the Warrant Agent) be duly endorsed, or be accompanied by a duly executed instrument of transfer in form satisfactory to the Company and the Warrant Agent, by the holder thereof or such Warrantholder's attorney, duly authorized in writing.

(d) When Warrants are presented to the Warrant Agent with a request to register the transfer of, or to exchange or substitute, such Warrants, the Warrant Agent shall register the transfer or make the exchange or substitution as requested if its requirements for such transactions and any applicable requirements hereunder are satisfied, which requirements may include, as applicable, the signature guarantee of a guarantor institution approved by The Securities Transfer Association. To permit registrations of transfers, exchanges and substitutions, the Company shall execute Warrant Certificates at the Warrant Agent's request and the Warrant Agent shall countersign and deliver such Warrant Certificates. No service charge shall be made for any registration of transfer or exchange of or substitution for Warrants, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of Warrants.

(e) If less than all Warrants represented by a Certificated Warrant are transferred, exchanged or substituted in accordance with this Warrant Agreement, the Warrant Certificate shall be surrendered to the Warrant Agent and a new Warrant Certificate for a Number of Warrants equal to the Warrants represented by such Warrant Certificate that were not transferred, exchanged or substituted, registered in such name or names as may be directed in writing by the surrendering Warrantholder, shall be executed by the Company and delivered to the Warrant Agent and the Warrant Agent shall countersign such new Warrant Certificate and shall deliver such new Warrant Certificate to the Person or Persons entitled to receive the same.

Section 2.05. Global Warrants. (a) The Warrants shall initially be issued in the form of one or more Global Warrants. Any Global Warrant shall bear the legend substantially in the form set forth in Exhibit B hereto (the "Global Warrant Legend").

(b) So long as a Global Warrant is registered in the name of the Depositary, members of, or participants in, the Depositary (“Agent Members”) shall have no rights under this Warrant Agreement with respect to the Global Warrant held on their behalf by the Depositary or the Warrant Agent as its custodian, and the Depositary may be treated by the Company, the Warrant Agent and any agent of the Company or the Warrant Agent as the absolute owner of such Global Warrant for all purposes. Accordingly, any such owner’s beneficial interest in such Global Warrant will be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its Agent Members, and neither the Company nor the Warrant Agent shall have any responsibility with respect to such records maintained by the Depositary or its Agent Members. Notwithstanding the foregoing, nothing herein shall (i) prevent the Company, the Warrant Agent or any agent of the Company or the Warrant Agent from giving effect to any written certification, proxy or other authorization furnished by the Depositary or (ii) impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a Warrantholder.

(c) Any holder of a Global Warrant registered in the name of the Depositary shall, by acceptance of such Global Warrant, agree that transfers of beneficial interests in such Global Warrant may be effected only through a book-entry system maintained by the holder of such Global Warrant (or its agent), and that ownership of a beneficial interest in Warrants represented thereby shall be required to be reflected in book-entry form.

(d) Transfers of a Global Warrant registered in the name of the Depositary shall be limited to transfers in whole, and not in part, to the Company, the Depositary, and their respective successors and nominees. Interests of beneficial owners in a Global Warrant registered in the name of the Depositary shall be transferred in accordance with the rules and procedures of the Depositary.

(e) A Global Warrant registered in the name of the Depositary shall be exchanged for Certificated Warrants only if (i) the Depositary (A) has notified the Company that it is unwilling or unable to continue as or ceases to be a clearing agency registered under Section 17A of the Exchange Act and (B) a successor to the Depositary registered as a clearing agency under Section 17A of the Exchange Act is not able to be appointed by the Company within 90 days or (ii) the Depositary is at any time unwilling or unable to continue as Depositary and a successor to the Depositary is not able to be appointed by the Company within 90 days. In any such event, a Global Warrant registered in the name of the Depositary shall be surrendered to the Warrant Agent for cancellation, and the Company shall execute, and the Warrant Agent shall countersign and deliver, to each beneficial owner identified by the Depositary, in exchange for such beneficial owner’s beneficial interest in such Global Warrant, Certificated Warrants representing, in the aggregate, the Number of Warrants theretofore represented by such Global Warrant with respect to such beneficial owner’s beneficial interest. Any Certificated Warrant delivered in exchange for an interest in a Global Warrant pursuant to this Section 2.05(e) shall not bear the Global Warrant Legend. Interests in the Global Warrant may not be exchanged for Certificated Warrants other than as provided in this Section 2.05(e).

(f) The holder of a Global Warrant registered in the name of the Depositary may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Warrantholder is entitled to take under this Warrant Agreement or the Warrant.

Section 2.06. Surrender of Warrant Certificates; Cancellation. Any Warrant Certificate surrendered for registration of transfer, exchange, substitution or exercise of Warrants represented thereby shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly cancelled by the Warrant Agent and shall not be reissued by the Company and, except as provided in Section 2.04(e) in case of an exchange, transfer or substitution, or Section 3.05(a)(iii) in case of the exercise of less than all Warrants represented thereby, or Section 7.02 in case of mutilation, no Warrant Certificate shall be issued hereunder in lieu thereof. The Warrant Agent shall deliver to the Company from time to time or otherwise dispose of such cancelled Warrant Certificates as the Company may direct.

ARTICLE 3
EXERCISE AND SETTLEMENT OF WARRANTS

Section 3.01. Exercise of Warrants. At any time prior to the Close of Business on the Expiration Date, a Warrantholder shall be entitled to exercise, in accordance with this Article 3, the full Number of Warrants represented by any Warrant Certificate then registered in such Warrantholder’s name or any portion thereof (which shall not include any fractional Warrants). Subject to automatic exercise of Warrants pursuant to Section 3.03, any Warrants not exercised prior to such time shall expire unexercised.

Section 3.02. Procedure for Exercise. (a) To exercise a Warrant prior to the Close of Business on the Expiration Date (i) in the case of a Certificated Warrant, the Warrantholder must surrender the Warrant Certificate evidencing such Warrant at the principal office of the Warrant Agent, with the exercise notice set forth on the reverse of the Warrant Certificate duly completed and executed, together with any applicable transfer taxes as set forth in Section 8.02(b), or (ii) in the case of a

Global Warrant, any Person with a beneficial interest in such Global Warrant must comply with the procedures established by the Depositary for the exercise of Warrants.

(b) The date on which a Warrantholder complies with the requirements for exercise set forth in this Section 3.02 in respect of a Warrant is the "Exercise Date" for such Warrant; provided that, if such date is not a Trading Day or the Warrantholder satisfies such requirements after the Close of Business on a Trading Day, then the Exercise Date shall be (i) the immediately succeeding Trading Day, or (ii) if such date is the Expiration Date (including as a result of the automatic exercise of such Warrant pursuant to Section 3.03), the immediately preceding Trading Day.

(c) No Cash will be payable by a Warrantholder in respect of the Exercise Price for a Warrant upon exercise; rather, as described in Section 3.04, the number of shares of Common Stock issuable in respect of an exercise of a Warrant will be determined based on a Net Share Settlement calculation.

Section 3.03. Automatic Exercise of Warrants. An unexercised Warrant will be automatically exercised for the benefit of the Warrantholder (i) on the Expiration Date if a Warrant is not exercised by the Warrantholder prior to the Close of Business on the Expiration Date, or (ii) on the relevant Effective Date upon an occurrence of a Cash Designated Event, in each case of (i) and (ii) if any shares of Common Stock or Cash in lieu of any fractional shares are deliverable to the Warrantholder as a result of the Net Share Settlement calculation, or in the case of (ii) if additional shares are deliverable as a result of a Designated Event, as of the Expiration Date or such Effective Date, as applicable. As used in this Warrant Agreement, exercise of a Warrant means an exercise by the Warrantholder on or prior to the Close of Business on the Expiration Date or upon an automatic exercise as described in this Section 3.03, as applicable.

Section 3.04. Settlement of Warrants. Net Share Settlement shall apply to each Warrant upon exercise of such Warrant. For each Warrant exercised hereunder, on the Settlement Date for such Warrant, the Company shall cause to be delivered to the Warrantholder a number of shares of Common Stock (which in no event will be less than zero) (the "Net Share Amount") equal to the sum of the Daily Settlement Amounts for each of the 10 consecutive Trading Days during the related Calculation Period, together with Cash in respect of any fractional shares of Common Stock as provided in Section 3.07. Notwithstanding the foregoing, if any information required in order to calculate the Net Share Amount deliverable upon exercise of a Warrant will not be available as of the applicable Settlement Date, the Company shall deliver any additional shares of Common Stock resulting from that adjustment on the third Trading Day after the earliest Trading Day on which such calculation can be made.

Section 3.05. Delivery of Common Stock. (a) In connection with the delivery of shares of Common Stock to a Warrantholder in respect of an exercised Warrant, the Warrant Agent shall:

(i) at the Warrantholder's option (A) deliver shares of Common Stock by electronic transfer (with the assistance of the Company and the transfer agent of the Common Stock, if necessary) to such Warrantholder's account, or any other account as such Warrantholder may designate, at the Depositary or at an Agent Member, or (B) requisition from the transfer agent of the Common Stock and deliver to or upon the order of such Warrantholder a certificate or certificates for the number of full shares of Common Stock to which such Warrantholder is entitled, registered in such name or names as may be directed by such Warrantholder;

(ii) deliver Cash to such Warrantholder in respect of any fractional shares of Common Stock, as provided in Section 3.07; and

(iii) if the Number of Warrants represented by a Warrant Certificate shall not have been exercised in full, (A) in the case of a Certificated Warrant, deliver a new Warrant Certificate or (B) in the case of a Global Warrant, make the appropriate adjustments in Schedule A of such Global Warrant, in each case, countersigned by the Warrant Agent, for the balance of the number of Warrants represented by the surrendered Warrant Certificate.

(b) Each Person in whose name any shares of Common Stock are delivered shall for all purposes be deemed to have become the holder of record of such shares as of the Settlement Date. However, if any such date is a date when the stock transfer books of the Company are closed, such Person shall be deemed to have become the holder of such shares on the next succeeding date on which the stock transfer books are open.

Section 3.06. Payments to the Company. (a) Promptly after the Warrant Agent shall have taken the action required under Section 3.05 (or at such later time as may be mutually agreeable to the Company and the Warrant Agent), the Warrant Agent shall account to the Company with respect to any Warrants exercised. The Company shall reimburse the Warrant Agent for any amounts paid by the Warrant Agent in respect of a fractional share of Common Stock upon such exercise in accordance with Section 3.07 hereof.

(b) The Company shall not be entitled to any interest on any funds received or held by the Warrant Agent pursuant to the terms of this Warrant Agreement.

Section 3.07. No Fractional Shares to Be Issued. (a) Notwithstanding anything to the contrary in this Warrant Agreement, the Company shall not be required to issue any fraction of a share of Common Stock upon exercise of any Warrants.

(b) The Company will at all times aggregate the number of shares of Common Stock deliverable for the Warrants exercised by the same ultimate beneficial owner of Warrants on the same day. If any fraction of a share of Common Stock would, except for the provisions of this Section 3.07, be deliverable on the exercise of any Warrant or Warrants, the Company shall pay the Warrantholder Cash in lieu of such fractional shares based on the average of the Daily VWAPs for the Common Stock over the relevant Calculation Period.

(c) Each Warrantholder, by its acceptance of a Warrant Certificate, expressly waives its right to receive any fraction of a share of Common Stock or a stock certificate representing a fraction of a share of Common Stock.

Section 3.08. Acquisition of Warrants by Company. The Company shall have the right, except as limited by law, to purchase or otherwise to acquire Warrants at such times, in such manner and for such consideration as it may deem appropriate and shall have agreed with the holder of such Warrants.

Section 3.09. Direction of Warrant Agent. (a) The Company shall be responsible for performing all calculations required in connection with the exercise and settlement of the Warrants and the payment or delivery, as the case may be, to the Warrant Agent, as agent for the Warrantholders, of Cash and/or Common Stock as provided in this Warrant Agreement. In connection therewith, the Company shall provide prompt written notice to the Warrant Agent of the amount of Cash and the number of shares of Common Stock payable or deliverable, as the case may be, upon exercise and settlement of the Warrants, including, without limitation, the Net Share Amount.

(b) Any Cash to be paid, or Common Stock to be delivered, to the Warrantholders hereunder shall be delivered to the Warrant Agent no later than the Business Day immediately preceding the date such consideration is required to be delivered to the Warrantholders.

(c) The Warrant Agent shall have no liability for any failure or delay in performing its duties hereunder caused by any failure or delay of the Company in providing such calculations or items to the Warrant Agent. The Warrant Agent shall have no duty to verify or confirm any calculation called for hereunder. The Warrant Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock or Units of Reference Property that may at any time be issued or delivered upon the exercise of any Warrant, and it makes no representation with respect thereto. The Warrant Agent shall not be responsible for any failure of the Company to make any Cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates or Units of Reference Property, or to comply with any of the covenants of the Company contained in this Article 3.

ARTICLE 4
EXERCISE OF WARRANTS IN CONNECTION WITH A DESIGNATED EVENT

Section 4.01. Increase in Number of Shares Deliverable Upon Designated Event. (a) If a Designated Event occurs prior to the Expiration Date and a Warrantholder elects to exercise its Warrants in connection with such Designated Event, the Company will increase the number of shares of Common Stock to which the Warrantholder is entitled with respect to such exercised Warrants as provided in this Article 4. An exercise of a Warrant shall be deemed for the purposes of this Article 4 to be "in connection with" a Designated Event if the Exercise Date for such Warrant falls during the period commencing on the effective date of the relevant Designated Event (the "**Effective Date**") and ending on the 40th Scheduled Trading Day following the Effective Date for such Designated Event.

(b) Notwithstanding Section 4.01(a), the number of shares of Common Stock shall not be increased in the case of any Designated Event if at least 90% of the consideration, excluding Cash payments for fractional shares of Common Stock and Cash payments made pursuant to dissenters' appraisal rights, in a transaction otherwise constituting a Designated Event consists of shares of common stock, depositary receipts or other certificates representing common equity interests traded on the New York Stock Exchange, the Nasdaq or the Nasdaq Global Market (or any of their respective successors), or will be so traded immediately following such transaction, and as a result of such transaction such Warrants become exercisable solely for such consideration.

Section 4.02. Notice of Designated Event. The Company shall notify the Warrantholders of the Effective Date of any Designated Event and issue a press release through Dow Jones & Company, Inc. or Bloomberg Business News or other similarly broad public medium that is customary for such press releases (and make the press release available on the Company's website) announcing such Effective Date no later than five Business Days after such Effective Date. The Company will also use commercially reasonable efforts to give notice to Warrantholders of the anticipated Effective Date for a Designated Event (and issue a press release announcing same) not less than five Scheduled Trading Days prior to the

anticipated Effective Date to the extent reasonably practicable in the circumstances. The failure to deliver such notice or issue such press release shall not affect the validity of such transaction.

Section 4.03. Additional Shares. (a) The Number of Shares of Common Stock to which a Warrantholder is entitled upon exercise of a Warrant in connection with any Designated Event shall be determined by reference to the table below in Section 4.03(c) and shall be based on the Effective Date of, and the Applicable Price for, such Designated Event.

(b) The Applicable Prices set forth in the first row of the table below (i.e., the column headers) shall each be adjusted at the same time and in the manner as the Exercise Price is adjusted as set forth in Article 6.

(c) The following table sets forth the number of additional shares of Common Stock to be delivered per Warrant for the given Applicable Prices and Effective Dates:

Effective Date	Applicable Prices														
	$5	**$10**	**$15**	**$20**	**$25**	**$30**	**$35**	**$40**	**$45**	**$50**	**$60**	**$75**	**$100**	**$150**	**$200**
5/22/2010	0.0479	0.1427	0.2294	0.3025	0.3634	0.4147	0.4581	0.4111	0.3416	0.2884	0.2131	0.1440	0.0825	0.0297	0.0069
5/22/2011	0.0363	0.1208	0.2042	0.2769	0.3389	0.3917	0.4369	0.3917	0.3238	0.2721	0.1995	0.1337	0.0759	0.0272	0.0064
5/22/2012	0.0259	0.0989	0.1776	0.2494	0.3122	0.3665	0.4136	0.3702	0.3042	0.2542	0.1845	0.1223	0.0686	0.0244	0.0059
5/22/2013	0.0169	0.0773	0.1499	0.2199	0.2831	0.3389	0.3878	0.3464	0.2824	0.2343	0.1680	0.1099	0.0608	0.0214	0.0052
5/22/2014	0.0098	0.0565	0.1212	0.1882	0.2512	0.3083	0.3591	0.3200	0.2581	0.2122	0.1498	0.0962	0.0523	0.0182	0.0045
5/22/2015	0.0046	0.0373	0.0920	0.1543	0.2162	0.2742	0.3270	0.2902	0.2309	0.1874	0.1295	0.0812	0.0432	0.0149	0.0037
5/22/2016	0.0016	0.0208	0.0630	0.1182	0.1775	0.2357	0.2904	0.2563	0.1999	0.1594	0.1068	0.0650	0.0337	0.0116	0.0030
5/22/2017	0.0003	0.0085	0.0358	0.0803	0.1344	0.1917	0.2480	0.2169	0.1641	0.1272	0.0815	0.0474	0.0240	0.0085	0.0023
5/22/2018	—	0.0017	0.0133	0.0420	0.0862	0.1398	0.1970	0.1694	0.1214	0.0896	0.0531	0.0292	0.0148	0.0056	0.0016
5/22/2019	—	—	0.0011	0.0094	0.0334	0.0753	0.1305	0.1076	0.0675	0.0443	0.0226	0.0121	0.0069	0.0029	0.0009
11/22/2019	—	—	—	0.0009	0.0089	0.0353	0.0845	0.0652	0.0333	0.0186	0.0088	0.0055	0.0034	0.0015	0.0005
5/22/2020	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(d) If the exact Applicable Price and/or Effective Date are not set forth in the table above, then:

(i) if the actual Applicable Price is between two Applicable Prices in the table or the Effective Date is between two Effective Dates in the table, the number of additional shares of Common Stock to be delivered per Warrant shall be determined by a straight-line interpolation between the number of additional shares of Common Stock set forth for the higher and lower Applicable Prices and/or the earlier and later Effective Dates in the table, based on a 365-day year, as applicable;

(ii) if the actual Applicable Price is in excess of $200.00 per share, subject to adjustment as set forth in Section 4.03(b), no additional shares of Common Stock shall be delivered upon exercise of any Warrant in connection with the relevant Designated Event; and

(iii) if the Applicable Price is less than $5.00 per share, subject to adjustment as set forth in Section 4.03(b), no additional shares of Common Stock shall be delivered upon exercise of any Warrant in connection with the relevant Designated Event.

(e) Notwithstanding the foregoing, in no event will the number of shares of Common Stock deliverable to the Warrantholder as a result of the Net Share Settlement calculation or as a result of a Designated Event or Accounting Event, individually or in aggregate, exceed the Number of Shares.

Section 4.04. Cash Designated Event Settlement. Except as otherwise provided in this Article 4, the Company will settle exercise of Warrants exercised in connection with a Designated Event in accordance with Section 3.04; provided, however, that with respect to a Designated Event in connection with which all holders of Common Stock receive only Cash consideration for their shares of Common Stock (such Designated Event, a "**Cash Designated Event**") the Company will settle the Warrants, which shall be automatically exercised upon such event, by delivering, on the third Business Day after the Exercise Date, for each Warrant, an amount of Cash equal to (i) the sum of (A) the number of shares of Common Stock deliverable to the Warrantholder as a result of the Net Share Settlement calculation as of the Effective Date for the Cash Designated Event as described in Section 3.04 herein plus (B) the number of additional shares described in this Section 4 multiplied by (ii) the per-share amount of Cash consideration paid in such Designated Event.

ARTICLE 5
EXERCISE OF WARRANTS IN CONNECTION WITH AN ACCOUNTING EVENT

Section 5.01. Increase in Number of Shares Deliverable Upon Accounting Event. If an Accounting Event occurs prior to the Expiration Date, the Company will have the right to cause all (but not less than all) outstanding Warrants to be exercised on the 27th Trading Day following the Accounting Event Effective Date of such Accounting Event (such Trading Day, the "**Accounting Exercise Date**") and, in connection with such exercise, the Company will increase the number of shares of Common Stock to which the Warrantholder is entitled with respect to such exercised Warrants as provided in this Article 5. If the Company determines to cause the Warrants to be so exercised, the Company will notify Warrantholders of the Accounting Event Effective Date and the anticipated Accounting Exercise Date, and will issue a press release as to such matters, no later than the Business Day following the date of the Accounting Event Effective Date.

Section 5.02. Manner of Exercise. If the Company has caused the outstanding Warrants to be exercised in connection with an Accounting Event, all unexercised Warrants will be exercised for the benefit of the Warrantholders on the relevant Accounting Exercise Date if any shares of the Common Stock or Cash in lieu of any fractional shares is deliverable to the Warrantholders as a result of the Net Share Settlement calculation, or if additional shares are deliverable as a result of such Accounting Event as of such Accounting Exercise Date. The Calculation Period for any Warrant so exercised will commence on the 10th Trading Day immediately preceding the Accounting Exercise Date and end on the Trading Day immediately preceding the Accounting Exercise Date. The Company will otherwise settle exercise of Warrants exercised in connection with an Accounting Event in accordance with Section 3.04.

Section 5.03. Calculation of Number of Additional Shares. The number of additional shares of Common Stock to which a Warrantholder will be entitled on exercise of the Warrants in connection with any Accounting Event will be determined by reference to the table set forth in Section 4.03(c) as if the Accounting Event was a Designated Event that was not a Cash Designated Event and the Accounting Event Effective Date was the Effective Date of such Designated Event, and the Applicable Price shall be determined in accordance with clause (ii) of that definition.

ARTICLE 6
ADJUSTMENTS

Section 6.01. Adjustments to Exercise Price. The Exercise Price for the Warrants shall be subject to adjustment (without duplication) upon the occurrence of any of the following events. If any dividend, distribution or issuance described below is declared but not so paid or made, the Exercise Price shall again be adjusted to the Exercise Price that would have been in effect if such dividend, distribution or issuance had not been declared.

(a) If the Company issues solely shares of Common Stock as a dividend or distribution on all or substantially all of its shares of Common Stock, or if the Company subdivides or combines its Common Stock, the Exercise Price shall be adjusted based on the following formula:

$$EP_1 = EP_0 \times \frac{OS_0}{OS_1}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Close of Business on the Ex-Date for such dividend or distribution, or immediately prior to the Open of Business on the effective date of such subdivision or combination, as the case may be;
EP_1	=	the Exercise Price in effect immediately after the Close of Business on the Ex-Date for such dividend or distribution, or immediately after the Open of Business on the effective date of such subdivision or combination, as the case may be;
OS_0	=	the number of shares of Common Stock outstanding immediately prior to the Close of Business on the Ex-Date for such dividend or distribution, or immediately prior to the Open of Business on the effective date of such subdivision or combination, as the case may be; and
OS_1	=	the number of shares of Common Stock that would be outstanding immediately after giving effect to such dividend or distribution or immediately after the effective date of such subdivision or combination, as the case may be.

(b) If the Company distributes any rights, options or warrants on all or substantially all of the shares of Common Stock entitling the holders of shares of Common Stock for a period of not more than 60 calendar days from the Ex-Date for such distribution to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock), at a price per share (or a conversion price per share) less than the average of the Closing Sale Prices of Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such distribution, the Exercise Price shall be decreased based on the following formula:

$$EP_1 = EP_0 \times \frac{OS_0 + Y}{OS_0 + X}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Close of Business on the Ex-Date for such distribution;
EP_1	=	the Exercise Price in effect immediately after the Close of Business on the Ex-Date for such distribution;
OS_0	=	the number of shares of Common Stock outstanding immediately prior to the Close of Business on the Ex-Date for such distribution;
X	=	the total number of shares of Common Stock issuable pursuant to such options, rights or warrants; and
Y	=	the number of shares of Common Stock equal to the quotient of (A) the aggregate price payable to exercise such rights, options or warrants divided by (B) the average of the Closing Sale Prices of Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such distribution.

To the extent that such rights, options or warrants are not exercised prior to their expiration or shares of the Common Stock are otherwise not delivered pursuant to such rights, options or warrants, upon the expiration, termination or maturity of such rights, options or warrants (except in a case where other consideration has been given in lieu of delivery of such Common Stock, in which case adjustment shall be as otherwise provided by the applicable clause of this Section 6.01), the exercise price will be readjusted to the exercise price that would then be in effect had the adjustments made upon the issuance of such rights, options or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered.

For purposes of this Section 6.01(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase Common Stock at less than the average of the Closing Sale Prices of Common Stock for each Trading Day in the applicable 10 consecutive Trading Day period, there shall be taken into account any consideration the Company receives for such rights, options or warrants and any amount payable on exercise thereof, with the value of such consideration, if other than Cash, to be determined in good faith by the Board of Directors.

(c) If the Company distributes shares of its Capital Stock, evidences of the Company's indebtedness or other assets or property of the Company on all or substantially all holders of shares of Common Stock (excluding (i) dividends or distributions (including subdivisions of Common Stock) referred to in Section 6.01(a) above; (ii) rights, options or warrants referred to in Section 6.01(b) above; (iii) dividends or distributions paid exclusively in Cash referred to in Section 6.01(d) or (e) below; (iv) Spin-Offs referred to further below in this Section 6.01(c); and (v) distributions of rights on all or substantially all holders of shares of Common Stock pursuant to the adoption of a shareholder rights plan), then the Exercise Price shall be decreased based on the following formula:

$$EP_1 = EP_0 \times \frac{SP_0 - FMV}{SP_0}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Close of Business on the Ex-Date for such distribution;
EP_1	=	the Exercise Price in effect immediately after the Close of Business on the Ex-Date for such distribution;
SP_0	=	the average of the Closing Sale Prices of Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Date for such distribution; and
FMV	=	the fair market value (as determined in good faith by the Board of Directors) of the shares of Capital Stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of Common Stock as of the Close of Business on the Ex-Date for such distribution.

If the then-fair market value of the portion of the shares of Capital Stock, evidences of indebtedness or other assets or property so distributed applicable to one share of Common Stock is equal to or greater than the average of the Closing Sale Prices of Common Stock over the 10 consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Date for such distribution, in lieu of the foregoing adjustment, adequate provisions shall be made so that each Warrantholder shall have the right to receive on exercise in respect of each Warrant held by such Warrantholder, in addition to the number of shares of Common Stock such Warrantholder is entitled to receive, the amount and kind of securities or assets such Warrantholder would have received had such Warrantholder already owned a number of shares of Common Stock deliverable upon exercise of its Warrant immediately prior to the Ex-Date for the distribution of the securities or assets.

With respect to an adjustment pursuant to this Section 6.01(c) where there has been a payment of a dividend or other distribution on Common Stock of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit (a "Spin-Off"), the Exercise Price will be decreased based on the following formula:

$$EP_1 = EP_0 \times \frac{MP_0}{FMV + MP_0}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Close of Business on the Ex-Date for the Spin-Off;
EP_1	=	the Exercise Price in effect immediately after the Close of Business on the Ex-Date for the Spin-Off;
FMV	=	the average of the Closing Sale Prices of the Capital Stock or similar equity interests distributed to holders of Common Stock applicable to one share of Common Stock over the first 10 consecutive Trading Day period commencing on, and including, the Ex-Date for the Spin-Off (the "**Valuation Period**"); and
MP_0	=	the average of the Closing Sale Prices of the Common Stock over the Valuation Period.

The adjustment to the Exercise Price under the preceding paragraph of this Section 6.01(c) shall be made immediately after the Open of Business on the day after the last day of the Valuation Period, but will be given effect as of the Open of Business on the Ex-Date for the Spin-Off. If the Ex-Date for the Spin-Off is less than 10 Trading Days prior to, and including, the end of the Calculation Period in respect of any exercise of Warrants, references within this Section 6.01(c) to 10 Trading Days shall be deemed replaced, for purposes of calculating the average of the Closing Sale Prices of the Common Stock in

respect of that exercise, with such lesser number of Trading Days as have elapsed from, and including, the Ex-Date for the Spin-Off to, and including, the last Trading Day of such Calculation Period. For purposes of determining the Exercise Price, in respect of any exercise during the 10 Trading Days commencing on the Ex-Date for any Spin-Off, references within the portion of this Section 6.01(c) related to "Spin-Offs" to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Ex-Date for such Spin-Off to, but excluding, the relevant Exercise Date.

(d) If the Company makes or pays any Cash dividend or distribution to all, or substantially all, holders of outstanding Common Stock (other than (i) distributions described in Section 6.01(e) below, (ii) any dividend or distribution in connection with liquidation, dissolution or winding up of the Company and (iii) any regular quarterly Cash dividend on Common Stock to the extent that the aggregate amount of such Cash dividend per share of Common Stock does not exceed the Dividend Threshold Amount), the Exercise Price will be decreased based on the following formula:

$$EP_1 = EP_0 \times \frac{SP_0 - C}{SP_0}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Close of Business on the Ex-Date for such dividend or distribution;
EP_1	=	the Exercise Price in effect immediately after the Close of Business on the Ex-Date for such dividend or distribution;
SP_0	=	the average of the Closing Sale Prices of Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Date for such distribution; and
C	=	the amount in Cash per share that the Company distributes to holders of Common Stock for such dividend or distribution minus the Dividend Threshold Amount.

(e) If the Company or any of subsidiaries of the Company makes a payment in respect of a tender offer or exchange offer (other than offers not treated as a tender offer or exchange offer subject to Rule 13e-4 under the Exchange Act) for Common Stock and, if the Cash and value of any other consideration included in the payment per share of Common Stock exceeds the average of the Closing Sale Prices of Common Stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (such date, the "Offer Expiration Date," and such period, the "Measurement Period"), the Exercise Price will be decreased based on the following formula:

$$EP_1 = EP_0 \times \frac{OS_0 \times SP_1}{AC + (OS_1 \times SP1)}$$

where:

EP_0	=	the Exercise Price in effect immediately prior to the Open of Business on the Trading Day next succeeding the Offer Expiration Date;
EP_1	=	the Exercise Price in effect immediately after the Open of Business on the Trading Day next succeeding the Offer Expiration Date;
AC	=	the aggregate value of all Cash and any other consideration (as determined in good faith by the Board of Directors) paid or payable for shares purchased in such tender or exchange offer;
OS_0	=	the number of shares of Common Stock outstanding immediately prior to the time (the "Offer Expiration Time") such tender offer or exchange offer expires (prior to giving effect to such tender offer or exchange offer);
OS_1	=	the number of shares of Common Stock outstanding immediately after the Offer Expiration Time (after giving effect to such tender offer or exchange offer); and
SP_1	=	the average of the Closing Sale Prices of Common Stock over the Measurement Period.

The adjustment to the Exercise Price under the preceding paragraph of this Section 6.01(e) shall be made immediately after the Open of Business on the day after the last day of the Measurement Period, but will be given effect at the Open of Business on the Trading Day next succeeding the Offer Expiration Date. If the Trading Day next succeeding the Offer Expiration Date is less than 10 Trading Days prior to, and including, the end of the Calculation Period in respect of any exercise of Warrants, references within this Section 6.01(e) to 10 Trading Days shall be deemed replaced, for purposes of calculating the average of the Closing Sale Prices of the Common Stock in respect of that exercise, with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the Expiration Date to, and including, the last Trading Day of such Calculation Period. For purposes of determining the Exercise Price, in respect of any exercise of Warrants during the 10 Trading Days commencing on the Trading Day next succeeding the offer Expiration Date, references within this Section 6.01(e) to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the Offer Expiration Date to, but excluding, the relevant Exercise Date.

In the event that the Company or one of its subsidiaries is obligated to purchase shares of Common Stock pursuant to any such tender offer or exchange offer, but the Company or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Exercise Price will again be adjusted to be the Exercise Price which would then be in effect if such tender offer or exchange offer had not been made. Except as set forth in the preceding sentence, if the application of this Section 6.01(e) to any tender offer or exchange offer would result in an increase in the Exercise Price, no adjustment will be made for such tender offer or exchange offer under this Section 6.01(e).

(f) For the purposes of Sections 6.01(a), (b) and (c), any dividend or distribution to which Section 6.01(c) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (i) a dividend or distribution of the indebtedness, assets or shares of Capital Stock other than such shares of Common Stock or rights or warrants (and any Exercise Price adjustment required by Section 6.01(c) with respect to such dividend or distribution shall be made in respect of such dividend or distribution (without regard to the parenthetical in Section 6.01(c) that begins with the word "excluding")) (ii) immediately followed by a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Exercise Price adjustment required by Section 6.01(a) or (b), as the case may be, with respect to such dividend or distribution shall then be made), except any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the Close of Business on the Ex-Date."

(g) If any distribution or transaction described in Sections 6.01(a) to (e) has not yet resulted in an adjustment to the Exercise Price on the Exercise Date, and the shares that Warrantholders will receive on settlement are not entitled to participate in the relevant distribution or transaction (because they were not held on a related Record Date or otherwise), then the Company shall adjust the number of shares that the Company will deliver to the Warrantholders in respect of the relevant Trading Day to reflect the relevant distribution or transaction. Conversely, if an adjustment to the Exercise Price becomes effective on any Ex-Date, and a Warrantholder that has exercised its Warrants on or after such Ex-Date and on or prior to the related Record Date would nevertheless be treated as the record holder of shares of Common Stock as of the related Settlement Date based on an adjusted Exercise Price for such Ex-Date, then, notwithstanding the foregoing Exercise Price adjustment

provisions, the Exercise Price adjustment relating to such Ex-Date will not be made in calculating the number of shares of Common Stock deliverable to such exercising Warrantholder (though it shall nevertheless be taken into account in calculating the relevant Daily Settlement Amount). Instead, such Warrantholder will be treated as if such Warrantholder were the record owner of the shares of Common Stock on an un-adjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

Section 6.02. Adjustments to Number of Shares. Concurrently with any adjustment to the Exercise Price under Section 6.01, the Number of Shares will be adjusted such that the Number of Shares in effect immediately following the effectiveness of such adjustment will be equal to the Number of Shares in effect immediately prior to such adjustment, multiplied by a fraction, (i) the numerator of which is the Exercise Price in effect immediately prior to such adjustment and (ii) the denominator of which is the Exercise Price in effect immediately following such adjustment.

Section 6.03. Certain Distributions of Rights and Warrants. (a) Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's Capital Stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events (a "Trigger Event"):

(i) are deemed to be transferred with such shares of Common Stock;

(ii) are not exercisable; and

(iii) are also issued in respect of future issuances of Common Stock,

shall be deemed not to have been distributed for purposes of Article 6 (and no adjustment to the Exercise Price or the Number of Shares under this Article 6 will be made) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Exercise Price and the Number of Shares shall be made under this Article 6 (subject in all respects to Section 6.04).

(b) If any such right or warrant is subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights or warrants with such rights (subject in all respects to Section 6.04).

(c) In addition, except as set forth in Section 6.04, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in Section 6.03(a)) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Exercise Price and the Number of Shares under Article 6 was made (including any adjustment contemplated in Section 6.04), in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by the holders thereof, the Exercise Price and the Number of Shares shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a Cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase.

Section 6.04. Shareholder Rights Plans. To the extent that the Company has a shareholder rights plan in effect upon exercise of the Warrants (i.e., a poison pill), Warrantholders shall receive, in addition to any Common Stock received in connection with such exercise, the rights under the shareholder rights plan, unless prior to any exercise, the rights have separated from the Common Stock, in which case the Exercise Price and the Number of Shares shall be adjusted at the time of separation as if the Company distributed to all holders of Common Stock, shares of Capital Stock, evidences of indebtedness or other assets or property as described in Section 6.01(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 6.05. Discretionary Adjustments. The Company may from time to time, to the extent permitted by law and subject to applicable rules of the Nasdaq, decrease the Exercise Price and/or increase the Number of Shares by any amount for any period of at least 20 Business Days, so long as the decrease is irrevocable during the period and the Board of Directors determines in good faith that such decrease would be in the best interest of the Company. In that case, the Company shall give the Warrantholders at least 15 days' prior notice of such increase or decrease, and such notice shall state the decreased Exercise Price and/or increased Number of Shares and the period during which the decrease and/or increase will be in effect. The Company may make such decreases in the Exercise Price and/or increases in the Number of Shares, in addition to those set forth in this Article 6, as the Board of Directors deems advisable, including to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock in connection with any dividend or distribution of Capital Stock or rights to acquire Capital Stock or from any event treated as such for income tax purposes.

Section 6.06. Restrictions on Adjustments. (a) Except in accordance with Section 6.01, the Exercise Price and the Number of Shares will not be adjusted for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase any of the foregoing.

(b) Notwithstanding the adjustment provisions in this Warrant Agreement, neither the Exercise Price nor the Number of Shares will be adjusted:

(i) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Common Stock under any plan;

(ii) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of, or assumed by, the Company or any of its subsidiaries;

(iii) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding clause (ii) and outstanding as of the date the Warrants were first issued; or

(iv) for a change in the par value of the Common Stock.

(c) If in the future the Common Stock of the Company or any reference property has a designated par value, in no event will the Company adjust the Exercise Price or make a corresponding adjustment to the Number of Shares to the extent that the adjustment would reduce the Exercise Price below the par value per share of Common Stock.

(d) No adjustment shall be made to the Exercise Price or the Number of Shares for any of the transactions described in Section 6.01 if the Company makes provisions for Warrantholders to participate in any such transaction without exercising their Warrants on a basis and with notice that the Board of Directors determines in good faith to be fair and appropriate.

(e) Adjustments to the Number of Shares will be calculated to the nearest 1/10,000th of a share. No adjustment shall be made to the Exercise Price, nor will any corresponding adjustment be made to the Number of Shares, unless the adjustment would result in a change of at least 1% of the Exercise Price; provided that any adjustments that are less than 1% of the Exercise Price shall be carried forward and such carried forward adjustments, regardless of whether the aggregate adjustment is less than 1% of the Exercise Price, shall be made (i) upon exercise of any Warrant; (ii) annually, on each May 22 of each year; and (iii) on each of the 10 Scheduled Trading Days immediately prior to the Expiration Date, unless such adjustment has already been made.

(f) The Company shall not take any action that would result in an adjustment without complying with NASDAQ Market Rule 5635 (which requires stockholder approval of certain issuances of stock), or any similar rule of any other stock exchange on which the Common Stock may be listed, if applicable.

Section 6.07. Recapitalizations, Reclassifications and Other Changes. (a) If any of the following events occur:

(i) any recapitalization;

(ii) any reclassification or change of the outstanding shares of Common Stock (other than changes resulting from a subdivision or combination to which Section 6.01(a) applies);

(iii) any consolidation, merger or combination involving the Company;

(iv) any sale, assignment, conveyance, transfer, lease or other disposition to a third party of all or substantially all of the Company's property and assets; or

(v) any binding share exchange,

(each such event a "Reorganization Event"), in each case as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including Cash or any combination thereof) (the "Reference Property"), then, following the effective time of the transaction, the right to receive shares of Common Stock upon exercise of a Warrant shall be changed to a right to receive, upon exercise of such Warrant with respect to each share of Common Stock for which such Warrant is exercisable, the kind and amount of shares of stock, other securities or other property or assets (including Cash or any combination thereof) that a holder of one share of Common Stock would have owned or been entitled to receive in connection with such Reorganization Event (such kind and amount of Reference Property per share of Common Stock, a "Unit of Reference Property"). In the event holders of Common Stock have the opportunity to elect the form of consideration to be received in a Reorganization Event, the type and amount of consideration into which the Warrants shall be exercisable from and after the effective time of such Reorganization Event shall be deemed to be the weighted average of the

types and amounts of consideration received by the holders of Common Stock in such Reorganization Event. The Company shall notify the Warrantholders of such weighted average as soon as practicable after such determination is made. The Company hereby agrees not to become a party to any Reorganization Event unless its terms are consistent with this Section 6.07.

(b) At any time from, and including, the effective time of a Reorganization Event:

(i) the Net Share Amount per Warrant shall be a number of Units of Reference Property calculated as set forth in Section 3.04, except that the Daily Settlement Amounts on any Trading Day used to determine such Net Share Amount shall be the Unit Value for such Trading Day;

(ii) the Company shall pay Cash in lieu of delivering any fraction of a Unit of Reference Property in accordance with Section 3.07 based on the Unit Value as of the Exercise Date; and

(iii) the Daily Settlement Amounts shall be calculated with respect to a Unit of Reference Property.

(c) The value of a Unit of Reference Property (the "Unit Value") shall be determined as follows:

(i) any shares of common stock of the successor or purchasing corporation or any other corporation that are traded on a national or regional stock exchange included in such Unit of Reference Property shall be valued as if such shares were "Common Stock" using procedures set forth in the definition of "Closing Sale Price" in Section 1.01;

(ii) any other property (other than Cash) included in such Unit of Reference Property shall be valued in good faith by the Board of Directors or by a New York Stock Exchange member firm selected by the Board of Directors; and

(iii) any Cash included in such Unit of Reference Property shall be valued at the amount thereof.

(d) On or prior to the effective time of any Reorganization Event, the Company or the successor or purchasing Person, as the case may be, shall execute an amendment to this Warrant Agreement providing that the Warrants shall be exercisable for Units of Reference Property in accordance with the terms of this Section 6.07. If the Reference Property in connection with any Reorganization Event includes shares of stock or other securities and assets of a Person other than the successor or purchasing Person, as the case may be, in such Reorganization Event, then the Company shall use commercially reasonable efforts to cause such amendment to this Warrant Agreement to be executed by such other Person and such amendment shall contain such additional provisions to protect the interests of the Warrantholders as the Board of Directors shall reasonably consider necessary by reason of the foregoing. Any such amendment to this Warrant Agreement shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 6. In the event the Company shall execute an amendment to this Warrant Agreement pursuant to this Section 6.07, the Company shall promptly file with the Warrant Agent an Officer's Certificate briefly stating the reasons therefor, the kind or amount of Cash, securities or property or asset that will comprise a Unit of Reference Property after the relevant Reorganization Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with. The Company shall cause notice of the execution of amendment to be mailed to each Warrantholder, at its address appearing on the Warrant Register, within 20 Business Days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such amendment.

(e) The above provisions of this Section 6.07 shall similarly apply to successive Reorganization Events.

(f) If this Section 6.07 applies to any event or occurrence, no other provision of this Article 6 shall apply to such event or occurrence.

(g) This Section 6.07 does not limit the rights of Warrantholders or the Company's rights in the event of a Designated Event, including Warrantholders' right to receive an increase in the number of shares of Common Stock deliverable with respect to such Warrants in connection with a Designated Event under Article 4.

Section 6.08. Consolidation, Merger and Sale of Assets. (a) The Company may, without the consent of the Warrantholders, consolidate with, merge into or sell, lease or otherwise transfer in one transaction or a series of related transactions the consolidated assets of the Company and its subsidiaries substantially as an entirety to any corporation organized under the laws of the United States or any of its political subdivisions so long as:

(i) the successor expressly assumes all the Company's obligations under this Warrant Agreement and the Warrants; and

(ii) an Officer's Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, lease or other transfer complies with the provisions of this Warrant Agreement, have been delivered to the Warrant Agent.

(b) In case of any such consolidation, merger, sale, lease or other transfer and upon any such assumption by the successor corporation, limited liability company, partnership or trust, such successor entity shall succeed to and be substituted for the Company with the same effect as if it had been named herein as the Company. Such successor entity thereupon may

cause to be signed, and may issue any or all of the Warrants issuable pursuant to this Warrant Agreement which theretofore shall not have been signed by the Company; and, upon the order of such successor entity, instead of the Company, and subject to all the terms, conditions and limitations in this Warrant Agreement prescribed, the Warrant Agent shall authenticate and deliver, as applicable, any Warrants that previously shall have been signed and delivered by the officers of the Company to the Warrant Agent for authentication, and any Warrants which such successor entity thereafter shall cause to be signed and delivered to the Warrant Agent for such purpose.

Section 6.09. Common Stock Outstanding. For the purposes of this Article 6, the number of shares of Common Stock at any time outstanding shall not include shares held, directly or indirectly, by the Company, but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

Section 6.10. Covenant to Reserve Shares for Issuance on Exercise. (a) The Board of Directors has authorized and reserved for issuance the number of shares of Common Stock initially issuable upon the exercise of all outstanding Warrants for shares of Common Stock. The Board of Directors will continue to reserve for the issuance of any additional shares of Common Stock that become issuable upon the exercise of all outstanding Warrants as a result of an adjustment made pursuant to Section 6.02 of this Agreement until the Expiration Date of the Warrants. The Company covenants that all shares of Common Stock that shall be so issuable shall be duly and validly issued, fully paid and non-assessable.

(b) The Company agrees to authorize and direct its current and future transfer agents for the Common Stock to reserve for issuance the number of shares of Common Stock specified in this Section 6.10. The Company shall instruct the transfer agent to deliver to the Warrant Agent, upon written request from the Warrant Agent in the form separately agreed between the Warrant Agent and the transfer agent, stock certificates (or beneficial interests therein) required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Warrant Agreement. Promptly after the date of expiration of Warrants, the Warrant Agent shall certify to the Company the aggregate Number of Warrants then outstanding and related aggregate Number of Shares, and thereafter no shares of Common Stock shall be required to be reserved in respect of such Warrants.

(c) If permitted or required by the rules of any national securities exchange or over the counter market or other domestic market on which the Common Stock is listed at any time, if any, the Company shall apply to have listed or quoted all shares of Common Stock issued upon exercise of the Warrants on any such exchange or market.

Section 6.11. Company's Determinations Final. The Company shall be responsible for making all calculations called for under this Warrant Agreement. These calculations include, but are not limited to, the Exercise Date, the Daily VWAP, the Closing Sale Price, the Exercise Price, the Number of Shares (yielding the number of shares of Common Stock or Units of Reference Property, if any, for which a Warrant is exercisable). The Company shall make the foregoing calculations in good faith and, absent manifest error, the Company's calculations shall be final and binding on Warrantholders. The Company shall provide a schedule of the Company's calculations to the Warrant Agent, and the Warrant Agent is entitled to rely upon the accuracy of the Company's calculations without independent verification.

Section 6.12. Notice of Adjustments. Whenever the Exercise Price and the Number of Shares is adjusted, the Company shall promptly mail to Warrantholders a notice of the adjustment. The Company shall file with the Warrant Agent such notice and an Officer's Certificate briefly stating the facts requiring the adjustment and the manner of computing it. Such certificate shall be conclusive evidence that the adjustment is correct, and the Warrant Agent shall not be deemed to have any knowledge of any adjustments unless and until it has received such certificate. The Warrant Agent shall not be under any duty or responsibility with respect to any such certificate except to exhibit the same to any Warrantholder desiring inspection thereof.

Section 6.13. Warrant Agent Not Responsible for Adjustments. The Warrant Agent shall at no time be under any duty or responsibility to any Warrantholder to determine whether any facts exist that may require an adjustment of the Exercise Price and the Number of Shares, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, herein or in any supplemental agreement provided to be employed, in making the same.

Section 6.14. Statements on Warrants. The form of Warrant Certificate need not be changed because of any adjustment made pursuant to this Article 6, and Warrant Certificates issued after such adjustment may state the same information (other than the adjusted Exercise Price and the relevant adjusted Number of Shares) as are stated in the Warrant Certificates initially issued pursuant to this Warrant Agreement. However, the Company may at any time in its sole discretion (which shall be conclusive) make any change in the form of Warrant Certificate that it may deem appropriate and that does not materially adversely affect the interest of the Warrantholders; and any Warrant Certificates thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant Certificate or otherwise, may be in the form as so changed.

Section 6.15. Public Announcement of Adjustments. Upon any adjustment of the Exercise Price or the Number of Shares, the Company shall promptly notify the Warrantholders and the Warrant Agent of the details of any such adjustment and issue a

press release through Dow Jones & Company, Inc. or Bloomberg Business News or other similarly broad public medium that is customary for such press releases (and make the press release available on the Company's website).

Section 6.16. Deferral of Adjustments. In any case in which Section 6.01 provides that an adjustment shall become effective immediately after (a) a Record Date for an event, (b) the effective date (in the case of a subdivision or combination of the Common Stock) or (c) the Offer Expiration Date for any tender or exchange offer pursuant to Section 6.01(e) (each a "Determination Date"), the Company may elect to defer, until the later of the date the adjustment to the Exercise Price and Number of Shares can be definitively determined and the occurrence of the applicable Adjustment Event (as hereinafter defined), (i) issuing to the Warrantholder of any Warrant exercised after such Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities or assets issuable upon such exercise by reason of the adjustment required by such Adjustment Event over and above the Common Stock issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Warrantholder any amount in Cash in lieu of any fractional share of Common Stock pursuant to Section 3.07. For the purposes of this Section 6.16, the term "Adjustment Event" shall mean (A) in any case referred to in clause (a) or clause (b) hereof, the occurrence of such event, (B) in any case referred to in clause (c) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

Section 6.17. Limitations on Adjustment for Issuance of Common Stock or Preferred Stock. Except as specifically set forth herein, the Exercise Price will not be subject to adjustment in the case of the issuance of any shares of Common Stock or Preferred Stock, or securities exchangeable for or convertible into shares of Common Stock or Preferred Stock.

ARTICLE 7
OTHER PROVISIONS RELATING TO RIGHTS OF WARRANTHOLDERS

Section 7.01. No Rights as Stockholders. Warrantholders shall not be entitled, by virtue of holding Warrants, to vote, to consent, to receive dividends, to receive notice as stockholders with respect to any meeting of stockholders for the election of the Company's directors or any other matter, or to exercise any rights whatsoever as the Company's stockholders unless, until and only to the extent such holders become holders of record of shares of Common Stock delivered upon settlement of the Warrants.

Section 7.02. Mutilated or Missing Warrant Certificates. If any Warrant at any time is mutilated, defaced, lost, destroyed or stolen, then on the terms set forth in this Warrant Agreement, such Warrant may be replaced at the cost of the applicant (including legal fees of the Company) at the office of the Warrant Agent. The applicant for a new Warrant shall, in the case of any mutilated or defaced Warrant Agent, surrender such Warrant to the Warrant Agent and, in the case of any lost, destroyed or stolen Warrant, furnish evidence satisfactory to the Company of such loss, destruction or theft, and, in each case, furnish evidence satisfactory to the Company of the ownership and authenticity of the Warrant together with such indemnity as the Company may require. Any such new Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant Certificate shall be at any time enforceable by anyone. An applicant for such a substitute Warrant Certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company or the Warrant Agent may prescribe. All Warrant Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the substitution for lost, stolen, mutilated or destroyed Warrant Certificates, and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the substitution for and replacement of negotiable instruments or other securities without their surrender.

Section 7.03. Modification, Waiver and Meetings. (a) This Warrant Agreement may be modified or amended by the Company and the Warrant Agent in writing, without the consent of any Warrantholder, for the purposes of, among other things:

(i) adding covenants for the benefit of the Warrantholders;

(ii) adding a guarantor of the Company's performance obligations or other security for the benefit of the Warrantholders;

(iii) surrendering any right or power conferred upon the Company;

(iv) providing for the settlement upon exercise of Warrants if any reclassification or change of Common Stock or any consolidation, merger, sale, lease or other transfer of the consolidated assets of the Company and its subsidiaries substantially as an entirety occurs;

(v) providing for the assumption of the Company's obligations in the case of a merger, consolidation, conveyance, sale, lease or other transfer;

(vi) adjusting the Exercise Price or the Number of Shares in the manner described in this Warrant Agreement;

(vii) curing any ambiguity or correcting or supplementing any defective provision contained in this Warrant Agreement; provided that such modification or amendment does not adversely affect the interests of the Warrantholders in any material respect; and

(viii) adding or modifying any other provisions that the Company may deem necessary or desirable and which will not adversely affect the interests of the Warrantholders in any material respect.

(b) Modifications and amendments to this Warrant Agreement or to the terms and conditions of Warrants may also be made by the Company and the Warrant Agent in writing, and noncompliance with any provision of the Warrant Agreement or Warrants may be waived, either:

(i) with the written consent of the Warrantholders of Warrants representing a majority of the aggregate Number of Warrants at the time outstanding; or

(ii) by the adoption of a resolution at a meeting of Warrantholders called with proper notice at which a quorum is present by at least a number of Warrantholders of Warrants representing a majority of the Number of Warrants represented at such meeting.

(c) However, no such modification, amendment or waiver may, without the written consent or the affirmative vote of each Warrantholder affected:

(i) change the Expiration Date;

(ii) increase the Exercise Price or decrease the Number of Shares (except as explicitly set forth in Article 6);

(iii) impair the right to institute suit for the enforcement of any payment or delivery with respect to the exercise and settlement of any Warrant;

(iv) except as otherwise expressly permitted by provisions of this Warrant Agreement concerning specified reclassifications or corporate reorganizations, impair or adversely affect the exercise rights of Warrantholders, including any change to the calculation or payment of the Net Share Amount;

(v) reduce the percentage of Warrants outstanding necessary to modify or amend this Warrant Agreement or to waive any past default; or

(vi) reduce the percentage in Warrants outstanding required for any other waiver under this Warrant Agreement.

(d) The quorum at any meeting called to adopt a resolution will be Persons holding or representing Warrants representing a majority of the aggregate Number of Warrants at the time outstanding.

ARTICLE 8
CONCERNING THE WARRANT AGENT AND OTHER MATTERS

Section 8.01. Payments Generally. All payments hereunder shall be made in Dollars.

Section 8.02. Payment of Certain Taxes. (a) The Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable upon the initial issuance of the Warrants hereunder.

(b) The Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable upon the issuance of Common Stock upon the exercise of Warrants hereunder and the issuance of stock certificates in respect thereof in the respective names of, or in such names as may be directed by, the exercising Warrantholders; provided, however, that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such stock certificate, any Warrant Certificates or other securities in a name other than that of the registered holder of the Warrant Certificate surrendered upon exercise of the Warrant, and the Company shall not be required to issue or deliver such certificates or other securities unless and until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 8.03. Certain Tax Filings. The Warrant Agent shall prepare and file with the appropriate governmental agency all appropriate tax information forms in respect of any payments made by the Warrant Agent hereunder (including, without limitation, Internal Revenue Service Form 1099-B) during each calendar year, or any portion thereof, during which the Warrant Agent performs services hereunder.

Section 8.04. Change of Warrant Agent. (a) The Warrant Agent may resign its duties and be discharged from all further duties and liabilities hereunder after giving 60 days' notice in writing to the Company, except that such shorter notice may be given as the Company shall, in writing, accept as sufficient. If the office of the Warrant Agent becomes vacant by resignation or incapacity to act or otherwise, the Company shall appoint in writing a successor warrant agent in place of the Warrant Agent. If

the Company shall fail to make such appointment within a period of 60 days after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated warrant agent or by any holder of Warrants (who shall, with such notice, submit his Warrant Certificate for inspection by the Company), then the holder of any Warrants may apply to any court of competent jurisdiction for the appointment of a successor warrant agent.

(b) The Warrant Agent may be removed by the Company at any time upon 30 days' written notice to the Warrant; provided, however, that the Company shall not be required to remove the Warrant Agent until a successor warrant agent meeting the qualifications hereof shall have been appointed. In no event shall the Warrant Agent be required to continue to perform hereunder for more than 30 days following the notice indicated in this Section 8.04(b).

(c) Any successor warrant agent, whether appointed by the Company or by such a court, shall be a corporation or banking association organized, in good standing and doing business under the laws of the United States of America or any state thereof or the District of Columbia, and authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority and having a combined capital and surplus of not less than $50,000,000. The combined capital and surplus of any such successor warrant agent shall be deemed to be the combined capital and surplus as set forth in the most recent report of its condition published prior to its appointment; provided that such reports are published at least annually pursuant to law or to the requirements of a Federal or state supervising or examining authority. After appointment, any successor warrant agent shall be vested with all the authority, powers, rights, immunities, duties and obligations of its predecessor warrant agent with like effect as if originally named as warrant agent hereunder, without any further act or deed; but if for any reason it becomes necessary or appropriate, the predecessor warrant agent shall execute and deliver, at the expense of the Company, an instrument transferring to such successor warrant agent all the authority, powers and rights of such predecessor warrant agent hereunder; and upon request of any successor warrant agent, the Company shall make, execute, acknowledge and deliver any and all instruments in writing to more fully and effectually vest in and conform to such successor warrant agent all such authority, powers, rights, immunities, duties and obligations. Upon assumption by a successor warrant agent of the duties and responsibilities hereunder, the predecessor warrant agent shall deliver and transfer, at the expense of the Company, to the successor warrant agent any property at the time held by it hereunder. As soon as practicable after such appointment, the Company shall give notice thereof to the predecessor warrant agent, the Warrantholders and each transfer agent for the shares of its Common Stock. Failure to give such notice, or any defect therein, shall not affect the validity of the appointment of the successor warrant agent.

(d) Any entity into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, shall be the successor Warrant Agent under this Warrant Agreement without any further act. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Warrant Agreement, any of the Warrant Certificates shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrant Certificates so countersigned, and in case at that time any of the Warrant Certificates shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrant Certificates either in the name of the predecessor Warrant Agent or in the name of the successor Warrant Agent; and in all such cases Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Warrant Agreement.

(e) In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates shall have the full force provided in the Warrant Certificates and in this Warrant Agreement.

Section 8.05. Compensation; Further Assurances. The Company agrees that it will (a) pay the Warrant Agent reasonable compensation for its services as Warrant Agent hereunder and, except as otherwise expressly provided, will pay or reimburse the Warrant Agent upon demand for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in accordance with any of the provisions of this Warrant Agreement (including the reasonable compensation, expenses and disbursements of its agents and counsel) except any such expense, disbursement or advance as may arise from its or any of their negligence or bad faith, and (b) perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Warrant Agent for the carrying out or performing of the provisions of this Warrant Agreement.

Section 8.06. Reliance on Counsel. The Warrant Agent may consult with legal counsel (who may be legal counsel for the Company), and the written opinion of such counsel or any advice of legal counsel subsequently confirmed by a written opinion of such counsel shall be full and complete authorization and protection to the Warrant Agent as to any action taken or omitted by it in good faith and in accordance with such written opinion or advice.

Section 8.07. Proof of Actions Taken. Whenever in the performance of its duties under this Warrant Agreement the Warrant Agent shall deem it necessary or desirable that any matter be proved or established by the Company prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Warrant Agent, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Warrant Agent; and such Officer's Certificate shall, in the absence of bad faith on the part of the Warrant Agent, be full warrant to the Warrant Agent for any action taken, suffered or omitted in good faith by it under the provisions of this Warrant Agreement in reliance upon such certificate; but in its discretion the Warrant Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Section 8.08. Correctness of Statements. The Warrant Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Warrant Agreement or in the Warrant Certificates (except its countersignature thereof) or be required to verify the same, and all such statements and recitals are and shall be deemed to have been made by the Company only.

Section 8.09. Validity of Agreement. The Warrant Agent shall not be under any responsibility in respect of the validity of this Warrant Agreement or the execution and delivery hereof or in respect of the validity or execution of any Warrant Certificates (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Warrant Agreement or in any Warrant Certificate; nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock to be issued pursuant to this Warrant Agreement or any Warrants or as to whether any shares of Common Stock will, when issued, be validly issued and fully paid and nonassessable.

Section 8.10. Use of Agents. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents and the Warrant Agent shall not be responsible for the misconduct or negligence of any agent or attorney, provided due care had been exercised in the appointment and continued employment thereof.

Section 8.11. Indemnification of Warrant Agent. The Warrant Agent shall incur no liability or responsibility to the Company or to any holder of Warrants for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties. The Company agrees to indemnify the Warrant Agent and save it harmless against any and all losses, expenses and liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted in good faith by the Warrant Agent in the execution of this Warrant Agreement or otherwise arising in connection with this Warrant Agreement, except as a result of the Warrant Agent's negligence or willful misconduct or bad faith.

Section 8.12. Legal Proceedings. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Warrantholders shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity.

Section 8.13. Other Transactions in Securities of the Company. The Warrant Agent in its individual or any other capacity may become the owner of Warrants or other securities of the Company, or become peculiarly interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Warrant Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

Section 8.14. Actions as Agent. The Warrant Agent shall act hereunder solely as agent and not in a ministerial or fiduciary capacity, and its duties shall be determined solely by the provisions hereof. The duties and obligations of the Warrant Agent shall be determined solely by the express provisions of the Warrant Agreement, and the Warrant Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Warrant Agreement. No implied covenants or obligations shall be read into the Warrant Agreement against the Warrant Agent. No provision of the Warrant Agreement shall require the Warrant Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 8.15. Appointment and Acceptance of Agency. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth in this Warrant Agreement, and the Warrant Agent hereby accepts the agency established by this Warrant Agreement and agrees to perform the same upon the terms and conditions herein set forth.

Section 8.16. Liability of Warrant Agent. The Warrant Agent shall not be liable, whether in contract, in tort or otherwise, for anything that it may do or refrain from doing in good faith in connection with this Warrant Agreement, except for its own negligence or willful misconduct or bad faith. To the extent the Warrant Agent is so liable notwithstanding the preceding sentence, the aggregate amount of any such liability shall not exceed $100,000, except to the extent such liability arises as a result of the Warrant Agent's gross negligence, willful misconduct or bad faith.

Section 8.17. Successors and Assigns. All the covenants and provisions of this Warrant Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 8.18. Notices. Any notice or demand authorized by this Warrant Agreement to be given or made by the Warrant Agent or by any Warrantholder to or on the Company shall be sufficiently given or made if sent by mail first-class, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

Zions Bancorporation
One South Main Street, 15th Floor
Salt Lake City, Utah 84133
Attention: Chief Financial Officer
With a copy to:

Sullivan & Cromwell LLP
1888 Century Park East, Suite 2100
Los Angeles, California 90067
Attention: Patrick S. Brown

Any notice or demand authorized by this Warrant Agreement to be given or made by any Warrantholder or by the Company to or on the Warrant Agent shall be sufficiently given or made if sent by mail first-class, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company), as follows:

Zions First National Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133
Attention: Shelene Brown

Any notice of demand authorized by this Warrant Agreement to be given or made to any Warrantholder shall be sufficiently given or made if sent by first-class mail, postage prepaid to the last address of such Warrantholder as it shall appear on the Warrant Register. Any notice to the owners of a beneficial interest in a Global Warrant shall be distributed through the Depositary in accordance with the procedures of the Depositary, and such notice shall be deemed to be effective at the time of dispatch to the Depositary.

Section 8.19. Applicable Law. The validity, interpretation and performance of this Warrant Agreement and of the Warrant Certificates shall be governed by the law of the State of New York without giving effect to the principles of conflicts of laws thereof.

Section 8.20. Benefit of this Warrant Agreement. Nothing in this Warrant Agreement expressed and nothing that may be implied from any of the provisions hereof is intended, or shall be construed, to confer upon, or give to, any Person other than the parties hereto and the Warrantholders any right, remedy or claim under or by reason of this Warrant Agreement or of any covenant, condition, stipulation, promise or agreement hereof, and all covenants, conditions, stipulations, promises and agreements contained in this Warrant Agreement shall be for the sole and exclusive benefit of the parties hereto and their successors and of the Warrantholders.

Section 8.21. Registered Warrantholders. Prior to due presentment for registration of transfer, the Company and the Warrant Agent may deem and treat the Person in whose name any Warrants are registered in the Warrant Register as the absolute owner thereof for all purposes whatever (notwithstanding any notation of ownership or other writing thereon made by anyone other than the Company or the Warrant Agent) and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary or be bound to recognize any equitable or other claim to or interest in any Warrants on the part of any other Person and shall not be liable for any registration of transfer of Warrants that are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration of transfer or with such knowledge of such facts that its participation therein amounts to bad faith.

Section 8.22. Inspection of this Warrant Agreement. A copy of this Warrant Agreement shall be available at all reasonable times for inspection by any Warrantholder or owner of a beneficial interest in a Global Warrant at the principal office of the

Warrant Agent. The Warrant Agent may require any such holder to submit his Warrant Certificate for inspection by it before allowing such holder to inspect a copy of this Warrant Agreement.

Section 8.23. Headings. The Article and Section headings herein are for convenience only and are not a part of this Warrant Agreement and shall not affect the interpretation thereof.

Section 8.24. Counterparts. This Warrant Agreement may be executed in any number of counterparts on separate counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, this Warrant Agreement has been duly executed by the parties hereto as of the day and year first above written.

ZIONS BANCORPORATION

By: /s/ Doyle L. Arnold
Name: Doyle L. Arnold
Title: Vice Chairman and Chief Financial Officer

ZIONS FIRST NATIONAL BANK,
as Warrant Agent

By: /s/ Shelene Brown
Name: Shelene Brown
Title: Assistant Vice President

EXHIBIT A

FORM OF WARRANT CERTIFICATE

[FACE]

No. _______________ CUSIP No. 989701 115

[UNLESS THIS GLOBAL WARRANT IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO ZIONS BANCORPORATION (THE "**ISSUER**"), THE CUSTODIAN OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL WARRANT SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL WARRANT SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE WARRANT AGREEMENT REFERRED TO ON THE REVERSE HEREOF.]**

** Bracketed language only appears on Global Warrants held in the name of DTC (or nominee thereof).

ZIONS BANCORPORATION

[Designation of Warrants]

NUMBER OF WARRANTS: [ ] Warrants, each of which is exercisable initially for [ ] share of Common Stock, subject to adjustment as described in the Warrant Agreement dated May 25, 2010 (the "**Warrant Agreement**"), between Zions Bancorporation (the "**Company**") and Zions First National Bank, as Warrant Agent.

EXERCISE PRICE: Initially, $[ ] per share of Common Stock for which a Warrant is exercisable, subject to adjustment as described in the Warrant Agreement.

FORM OF PAYMENT OF EXERCISE PRICE: Net Share Settlement.

FORM OF SETTLEMENT: Upon exercise of any Warrants represented hereby, the Warrantholder shall be entitled to receive, without any payment therefor, a number of shares of Common Stock equal to the Net Share Amount, together with Cash in lieu of any fractional shares, in each case, as described in the Warrant Agreement.

DATES OF EXERCISE: At any time, and from time to time, prior to the Close of Business on the Expiration Date, the Warrantholder shall be entitled to exercise all Warrants then represented hereby and outstanding or any portion thereof (which shall not include any fractional Warrants).

PROCEDURE FOR EXERCISE: Warrants may be exercised by (a) in the case of a Certificated Warrant, surrendering the Warrant Certificate evidencing such Warrant at the principal office of the Warrant Agent (or successor warrant agent), with the exercise notice set forth on the reverse of the Warrant Certificate duly completed and executed, together with any applicable transfer taxes, or (b) in the case of a Global Warrant, complying with the procedures established by the Depositary for the exercise of Warrants.

AUTOMATIC EXERCISE: Any unexercised Warrant shall be automatically exercised for the benefit of the Warrantholder (a) on the Expiration Date if a Warrant is not exercised by the Warrantholder prior to the Close of Business on the Expiration Date, or (b) on the relevant Effective Date upon an occurrence of a Cash Designated Event, in each case of (a) and (b) if any shares of Common Stock or Cash in lieu of any fractional shares are deliverable to the Warrantholder as a result of the Net Share Settlement calculation, or in the case of (b) if additional shares of Common Stock are deliverable as a result of a Designated Event, as of the Expiration Date or such Effective Date, as applicable.

ADJUSTMENTS: The Exercise Price and the Number of Shares will be subject to adjustment upon the occurrence of certain events as described in the Warrant Agreement.

DESIGNATED EVENT: If a Designated Event occurs prior to the Expiration Date and a Warrantholder elects to exercise Warrants in connection with such Designated Event, the number of shares to which the Warrantholder is entitled will be increased with respect to such exercised Warrants, as described in the Warrant Agreement.
ACCOUNTING EVENT: If an Accounting Event occurs prior to the Expiration Date, the Company will have the right to cause all (but not less than all) outstanding Warrants to be exercised on the 27th Trading Day following the Accounting Event Effective Date of such Accounting Event and, in connection with such exercise, the Company will increase the number of shares to which the Warrantholder is entitled with respect to such exercised Warrants, as described in the Warrant Agreement.

EXPIRATION DATE: May 22, 2020.

This Warrant Certificate certifies that , or its registered assigns, is the Warrantholder of the Number of Warrants (the "**Warrants**") specified above[, as modified in Schedule A hereto,]** (such number subject to adjustment from time to time as described in the Warrant Agreement).

In connection with the exercise of any Warrants, (a) the Company shall determine the Net Share Amount for each Warrant, and (b) the Company shall, or shall cause the Warrant Agent to, deliver to the exercising Warrantholder, on the applicable Settlement Date, for each Warrant exercised, a number of shares of Common Stock equal to the relevant Net Share Amount together with Cash in lieu of any fractional shares as described in the Warrant Agreement and, in the case of a Designated Event or Accounting Event, such number of additional shares of Common Stock to which the Warrantholder is entitled as a result of an exercise of such Warrant in connection therewith.

Prior to the relevant Exercise Date as described more fully in the Warrant Agreement, Warrants will not entitle the Warrantholder to any of the rights of the holders of shares of Common Stock.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as though fully set forth in this place.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent.

In the event of any inconsistency between the Warrant Agreement and this Warrant Certificate, the Warrant Agreement shall govern.

[Signature page follows]

** Bracketed language only appears on Global Warrants.

IN WITNESS WHEREOF, Zions Bancorporation has caused this instrument to be duly executed.

Dated: __________

ZIONS BANCORPORATION

By: ______________________________

Name:

Title:

Attest

By: ______________________________

Assistant Secretary

Countersigned as of the date above written:

ZIONS FIRST NATIONAL BANK, as Warrant Agent

By: ______________________________

Authorized Officer

[FORM OF REVERSE OF WARRANT CERTIFICATE]

ZIONS BANCORPORATION

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued by the Company pursuant to a Warrant Agreement, dated May 25, 2010 (the “Warrant Agreement”), between Zions Bancorporation and Zions First National Bank (the “Warrant Agent”), and are subject to the terms and provisions contained in the Warrant Agreement, to all of which terms and provisions each Warrantholder consents by acceptance of this Warrant Certificate or a beneficial interest therein. Without limiting the foregoing, all capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Warrant Agreement. A copy of the Warrant Agreement is on file at the Warrant Agent’s Office.

The Warrant Agreement and the terms of the Warrants are subject to amendment as provided in the Warrant Agreement.

This Warrant Certificate shall be governed by, and interpreted in accordance with, the laws of the State of New York without regard to the conflicts of laws principles thereof.

Exercise Notice

Zions First National Bank
One South Main Street, 12th Floor
Salt Lake City, Utah 84133
Attention: Shelene Brown

The undersigned (the "**Registered Warrantholder**") hereby irrevocably exercises __________ Warrants (the "**Exercised Warrants**") and delivers to you herewith a Warrant Certificate or Warrant Certificates, registered in the Registered Warrantholder's name, representing a Number of Warrants at least equal to the number of Exercised Warrants.

The Registered Warrantholder hereby directs the Warrant Agent to:

(a) deliver the Net Share Amount for each of the Exercised Warrants as follows: __________; and

(b) if the number of Exercised Warrants is less than the Number of Warrants represented by the enclosed Warrant Certificates, to deliver a Warrant Certificate representing the unexercised Warrants to:

Dated:

(Registered Warrantholder)

By: ______________________________
Authorized Signature
Address:
Telephone:

SCHEDULE A

SCHEDULE OF INCREASES OR DECREASES IN WARRANTS

The initial Number of Warrants represented by this Global Warrant is __________. In accordance with the Warrant Agreement dated May 25, 2010, between Zions Bancorporation and Zions First National Bank, as Warrant Agent, the following increases or decreases in the Number of Warrants represented by this certificate have been made:

Date	Amount of increase in Number of Warrants evidenced by this Global Warrant	Amount of decrease in Number of Warrants evidenced by this Global Warrant	Number of Warrants evidenced by this Global Warrant following such decrease or increase	Signature of authorized signatory

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the Warrant(s) represented by this Certificate to:

Name, Address and Zip Code of Assignee

and irrevocably appoints

Name of Agent

as its agent to transfer this Warrant Certificate on the books of the Warrant Agent.

[Signature page follows]
Date: __________

Name of Transferee

By: ______________________________

Name:
Title:

(Sign exactly as your name appears on the other side of this Certificate)

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

EXHIBIT B

FORM OF GLOBAL WARRANT LEGEND

UNLESS THIS GLOBAL WARRANT IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO ZIONS BANCORPORATION (THE "ISSUER"), THE CUSTODIAN OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL WARRANT SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL WARRANT SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE WARRANT AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

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Section 3: EX-10.12 (AMENDMENT TO TRUST AGREEMENT - DEFERRED COMPENSATION PLAN)

EXHIBIT 10.12

AMENDMENT TO THE TRUST AGREEMENT
Establishing the
ZIONS BANCORPORATION DEFERRED COMPENSATION PLANS TRUST

WHEREAS, effective October 1, 2002, the Zions Bancorporation Deferred Compensation Plan Trust (hereinafter called the "Trust") was established by and between Zions Bancorporation (hereinafter called the "Employer"), and CIGNA Bank & Trust Company, FSB, a federal savings bank with its principal office and place of business in the City of Hartford, Connecticut; in connection with and as part of the Zions Bancorporation Deferred Compensation Plan (hereinafter called the "Plan"); and

WHEREAS, effective April 1, 2004, in connection with the sale of CIGNA's retirement business to Prudential Financial, Inc., CIGNA Bank & Trust Company, FSB merged with another banking institution owned by Prudential Financial, Inc. to form Prudential Bank & Trust, FSB (hereinafter called the "Trustee"); and

WHEREAS, effective December 31, 2004, the Employer wishes to amend the Trust Agreement and create a Schedule of Covered Plans (Exhibit A of the Trust Agreement) to include in the Trust additional plans the Employer has added under its Group Annuity Contract as a result of non-qualified deferred compensation legislative changes;

NOW THEREFORE, the Trust Agreement is hereby amended effective April 1, 2004 as follows:

1. The face page of the Trust Agreement is amended by deleting the name of the Trustee, CIGNA Bank & Trust Company, FSB, and by replacing it in its entirety with Prudential Bank & Trust, FSB.

2. The first paragraph of the Trust Agreement is amended by deleting the name of the Trustee and by replacing it in its entirety with Prudential Bank & Trust, FSB, a federally-chartered thrift with its principal office and place of business in the City of Hartford, Connecticut.

NOW THEREFORE, the Trust Agreement is hereby amended effective December 31, 2004 as follows:

1. A Schedule of Covered Plans (Exhibit A of the Trust Agreement) is created and attached hereto and forms a part hereof.

2. The name of the Plan, Zions Bancorporation Deferred Compensation Plan, in the second paragraph of the Trust Agreement is deleted and replaced in its entirety by Zions Bancorporation Deferred Compensation Plans.

3. The face page and Section 1(d) of the Trust Agreement is amended by deleting the name of the Trust, Zions Bancorporation Deferred Compensation Plan Trust, and by replacing it in its entirety with Zions Bancorporation Deferred Compensation Plans Trust.

IN WITNESS WHEREOF, this amendment has been executed on the dates indicated below.

EMPLOYER		PRUDENTIAL BANK & TRUST, FSB	
By	/s/ Diana M. Andersen	By	/s/ Andrew F. Levesque
Its V.P. & Dir – Corp Benefits		Its	Trust Officer
Date	12/30/2004	Date	1/6/2005
Attest		Attest	/s/ Joan M. Bobbitt

EXHIBIT A

SCHEDULE OF COVERED PLANS

1. Zions Bancorporation Deferred Compensation Plan

2. Zions Bancorporation Post 2004 Deferred Compensation Plan

3. Zions Bancorporation Excess Benefit Plan

4. Zions Bancorporation Post 2004 Excess Benefit Plan

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Section 4: EX-10.19 (RESTATED PENSION PLAN)

EXHIBIT 10.19

ZIONS BANCORPORATION PENSION PLAN

Restated Effective January 1, 2002
Including Amendments Adopted Through December 31, 2010

December 31, 2010 Edition

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INTRODUCTION

The Zions Bancorporation Pension Plan became effective on January 1, 1968. The Plan has been amended and restated from time to time.

Prior to this restatement the most recent restatement of the Plan was effective January 1,2001. That restatement is referred to herein as the “Prior Plan.” All provisions of the Prior Plan were effective as of January 1, 2001; except that (1) provisions

pertaining to the establishment and maintenance of Cash Balance Accounts were effective April 1, 1997; (2) provisions pertaining to Grossmont Participants and former participants of the Grossmont Plan were effective January 1, 1998; (3) provisions pertaining to Sumitomo Participants and former participants of the Sumitomo Plan were effective October 1, 1998; and (4) provisions pertaining to Commerce Participants and former participants of the Commerce Plan were effective January 1, 1999.

The Prior Plan restated the Plan document which was effective as of April 1, 1997. That document included the terms and conditions of a cash balance account feature, which was established as of January 1, 1997, for Active and Disabled Participants in the Plan as of March 31, 1997.

The Prior Plan restatement incorporated the terms of Amendments 1 through 4 to the April 1, 1997 restatement and other modifications approved by Zions Bancorporation through January 31, 2002. The Prior Plan restatement furthermore incorporated modifications resulting from changes in the Internal Revenue Code (the "Code") and other provisions of federal law that were enacted or became effective on various dates from 1994 through 2000 (sometimes referred to collectively as "GUST" changes in law). Moreover, effective January 1,2002, the Prior Plan restatement incorporated less restrictive legal limitations on pension benefits, as authorized by the Economic Growth and Tax Reduction Reconciliation Act of 200 1 ("EGTRRA").

Effective at the close of business December 31, 1997, the Grossmont Bank Restated Defined Benefit Pension Plan and Trust (the "Grossmont Plan"), restated effective January 1, 1996, was merged into this Plan. Nothing in this Plan shall be construed to provide a benefit to a Participant under this Plan for a period of service for which he or she has received a benefit under the Grossmont Plan. The eligibility for and the amount of benefit of a former employee who terminated or retired under the Grossmont Bank Restated Defined Benefit Pension Plan and Trust prior to January 1, 1998, and who does not participate in this Plan on or after January 1, 1998, shall be determined exclusively by the provisions of the Grossmont Plan that were in effect as of the earlier of the former employee's date of termination or retirement, except as specifically stated otherwise in the Grossmont Plan. With respect to the merger of the Plans, this Plan shall be interpreted and administered to comply with ERISA Section 204(g) and Code Sections 411(d)(6) and 414(1).

Effective at the close of business October 31, 1998, the Sumitomo Bank of California Pension Plan ("Sumitomo Plan"), restated effective January 1, 1989, was merged into this Plan, Nothing in this Plan shall be construed to provide a benefit under this Plan for a period of service for which he or she has received a benefit under the Sumitomo Plan. The eligibility for and the amount of benefit of a former employee who terminated under the Sumitomo Plan prior to October 1, 1998, and who does not actively participate in this Plan on or after October 1, 1998, shall be determined exclusively by the provisions of that plan. With respect to the merger of the Plans, this Plan shall be interpreted and administered to comply with ERISA Section 204(g) and Code Sections 411(d)(6) and 414(1).
Effective at the close of business December 31, 1998, the Commerce Bancorporation Defined Benefit Pension Plan ("Commerce Plan"), restated effective July 21, 1994, was merged into this Plan. Nothing in this Plan shall be construed to provide a benefit under this Plan for a period of service for which he or she has received a benefit under the Commerce Plan. The eligibility for and the amount of benefit of a former employee who terminated under the Commerce Plan before January 1, 1999 and who does not actively participate in this Plan on or after January 1, 1999, shall be determined exclusively by the provisions of that plan. With respect to the merger of the Plans, this Plan shall be interpreted and administered to comply with ERISA Section 204(g) and Code Sections 411(d)(6) and 414(1).

The Plan and Trust thereunder are created and maintained for the primary purpose of providing retirement benefits for eligible employees of Zions Bancorporation and its affiliates. It is intended that the Plan and Trust qualify under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended, and that they meet the requirements of the Employee Retirement Income Security Act of 1974, as amended.

Except for other dates provided herein for certain Plan provisions, this Plan is effective as of January 1, 2002. This Plan includes amendments adopted to reflect certain provisions of EGTRRA, which were intended as good faith compliance with the requirements of EGTRRA. They are to be construed in accordance with EGTRRA and guidance issued thereunder. Unless otherwise provided, amendments included in this Plan in compliance with EGTRRA are effective as of the first day of the first plan year beginning after December 31, 2001. Provisions included in this Plan as amendments conforming to EGTRRA supersede all other provisions of the Plan to the extent that those provisions are inconsistent with such amendments. Moreover, this Plan has been amended to comply with all legislation and applicable guidance enacted and issued subsequent to EGTRRA,

including the Pension Protection Act of 2006. This Plan shall be interpreted at ail times so as to comply with the requirements of the Code and of ERISA as so amended.

Except as specifically provided in the Plan, the rights and benefits of any Participant who terminates, dies or retires prior to the effective date of this restatement or any other amendment to the Plan will be determined pursuant to the provisions of the Plan in effect on the earlier of his or her date of retirement, death or termination.

ARTICLE I

DEFINITIONS

1.1 "Accrued Benefit" means the monthly amount of benefit credited to a Participant in accordance with Article 4 on the basis of an annuity payable for life beginning on his or her Normal Retirement Date, or the current date, if later.

1.2 "Accrued Benefit Attributable to the Old Plan Account" is defined in Section 4.5.

1.3 "Accrued Benefit Attributable to Company Contributions" is defined in Section 4.6.

1.4 "Actuarial Equivalence" or "Actuarial Equivalent" means equality in value of the aggregate amounts expected to be received under different forms of payment computed on the following bases:

(a) For purposes of determining (i) the monthly annuity benefits under Sections 4.2, 4.5, 5.3(b) and 8.2, and (ii) the value of lump sum payments under Sections 5.7 (d), 5.8 and 5.12(b), Actuarial Equivalence will be calculated in accordance with Appendix II. Unless specifically provided otherwise in this Plan, the value of a benefit payable in any other non-annuity form shall be determined by applying the Actuarial Equivalence factors specified for lump sums in (ii) above.

(b) For purposes of determining the maximum retirement benefit in Section 11.2, Actuarial Equivalence will be calculated using the following bases:

(a) The mortality assumption is the "Applicable Mortality Table as defined in subsection (a) of Appendix II.

(b) Except as otherwise specified in Section 11.2, effective on or after January 1, 1995, for a benefit in the form of an annuity, the interest assumption (to adjust for age and for the form of the benefit) shall be 5%.

Notwithstanding any provision of Section 11.2 to the contrary, for a benefit payment after May 31, 1995 that is in a form that is subject to Code Section 417(e) (for example, a lump sum), the interest assumption to adjust for age will be the "Applicable Interest Rate" specified in subsection (b) of Appendix II, and the interest assumption to adjust for the form of the benefit shall be 5%.

(c) For the purposes of determining the maximum retirement benefit in Section 11.2 for a Grossmont Participant who retires between January 1, 1998 and December 31, 1998, Actuarial Equivalence will never be less than the amount the Grossmont Participant would have received under the Grossmont Plan.

(ci) Except as otherwise specified in the Plan, for all other purposes actuarial equivalency will be calculated using the following basis:

  (c) The mortality assumption will be the 1984 Unisex Pensioners Mortality Table.

  (ci) The interest assumption will be 6%.

1.5 "Affiliate" or "Subsidiary Affiliate" or "Subsidiary" means Zions Bancorporation and each member of a controlled group of corporations (as defined in Code Section 1563(a), determined without regard to Code Sections 1563(a)(4) and (e)(3)(C)), a group of trades or businesses (whether incorporated or not) which are under common control within the meaning of Code Section 414(c), or an affiliated service group (as defined in Code Sections

414(m) or 414(0)), of which Zions Bancorporation is a part. With respect to the Maximum Retirement Benefit defined in Section 11.2, in determining whether a corporation is a member of a controlled group of corporations the phrase "more than 50 percent" will be substituted for the phrase "at least 80 percent" each place it appears in Code Section 1563 (a)(1).

1.6 "Authorized Period of Absence" means an absence authorized by the Company for one or more of the following reasons:

(a) Approved leave of absence;

(b) Pregnancy;

(c) Jury duty;

(d) Qualified Military Service; or

(e) Illness or injury, including disability, and including a period of absence legally authorized to be taken, under the facts and circumstances applicable to the Participant, in accordance with the terms of the Family and Medical Leave Act.

Any discretion of the Company under the provisions of this definition will be exercised without discrimination and in accordance with definitely established rules uniformly applicable to Employees or Participants whose approved periods of absence were occasioned by similar circumstances.

1.7 Beneficiary

(a) Beneficiary of Retirement Income of a Married Participant For purposes of a post-retirement survivor benefit for a Participant who is married to an Eligible Spouse on the date of commencing his or her Retirement mcome, the Beneficiary shall be the Eligible Spouse, except to the extent that either: (a) the benefit is payable pursuant to the mandatory lump sum provisions of Section 5.8 (in which case there shall be no Beneficiary), (b) the Participant, with the written and notarized consent of the Eligible Spouse, elects to receive a benefit in the form of a Single Life Annuity (with or without a Level Income Option) or a lump sum (in which case there shall be no Beneficiary), or (c) is eligible for and elects a form of benefit under subsection (e)(2) or (f)(1) of Section 5.7 with a designated Beneficiary other than the Eligible Spouse (in which case the Beneficiary shall be the person (or persons, under Section 5.7(e)(1) or (e)(2» designated by the Participant with the consent of the Eligible Spouse at the time of commencing the Retirement Income).

(b) Beneficiary of Retirement Income of an Unmarried Participant For purposes of a Retirement Income benefit for a Participant who has no Eligible Spouse on the date of commencing his or her Retirement Income, the Beneficiary means either (a) the living person designated by the Participant at the time of commencing his or her Retirement Income, if the Participant is eligible for and elects a form of benefit pursuant to Section 5.7(e)(1), (e)(2) or (f)(1) (in which case the Beneficiary shall be the person (or persons, under Section 5.7 (e)(1) or (e)(2» designated by the Participant, or (b) there shall be no Beneficiary if either the benefit is payable pursuant to the mandatory lump-sum provisions of Section 5.8 or the Participant elects to receive a benefit in the form of a Single Life Annuity or lump sum.

(c) Beneficiary of a Pre-Retirement Survivor's Death Benefit For purposes of any preretirement death benefit which may be payable under Section 8.2 of the Plan, Beneficiary means the Eligible Spouse (if any, as of the date of the Participant's death prior to receiving Retirement Income under this Plan), or, if no Eligible Spouse survives the Participant, then the benefit under Section 8.2 shall be paid in a lump sum to the Participant's estate.

(ci) Beneficiary of Unpaid Balance of Old Plan Account In the case of any death benefit which may be applicable under the terms of Section 8.4, Beneficiary means the person or persons designated by a Participant for such purpose, or, if no Beneficiary is designated (or if any and all designated Beneficiaries fail to survive the Participant and the Eligible Spouse, if any), any death benefit payable under Section 8.4 shall be payable to the estate of the last to die of the Participant or Eligible Spouse (if any).

1.8 "Break in Service" means an interruption in service due to a person's failure to complete at least 501 Hours of Service during a calendar year or during an Eligibility Computation Period. A Break in Service will not occur during an Authorized Period of Absence unless the Employee fails to return to work for at least 30 days with the Company or any member of the Employer after the expiration of the Authorized Period of Absence (or, in the case of an absence due to Qualified Military Service, unless the Employee fails to return to work within the applicable period of time allowed pursuant to Code Section 414(u».

1.9 "Cash Balance Account" means the separate bookkeeping account established and maintained for each Participant as provided in Article 3.

1.10 "Code" means the Internal Revenue Code of 1986, as amended.

1.11 “Commerce Participant” means a Participant in the Commerce Plan who became a Participant in this Plan on January 1, 1999 as the result of the December 31, 1998 merger of the Commerce Plan into-this Plan. Based upon his or her status in the Commerce Plan on December 31, 1998, and based upon whether or not he or she became an Eligible Employee on January 1, 1999, a Commerce Participant described in this Section shall be deemed an Active Participant, an Inactive Participant, a Terminated Vested Participant, a Disabled Participant or a Retired Participant in this Plan, as defined in Section 1.36, on January 1, 1999.

1.12 “Commerce Plan” means the Commerce Bancorporation Defined Benefit Plan as in effect immediately prior to January 1, 1999.

1.13 “Committee or Retirement Committee” means the Committee which will administer the plan as described in Article 12.

1.14 “Company” means Zions Bancorporation and any Affiliate or Subsidiary which adopts this Plan with the consent of the Board of Directors of Zions Bancorporation. The Affiliates and Subsidiaries listed on Appendix V, as it may be revised from time to time, have adopted this Plan and are, as of the date or dates stated on Appendix V, a participating Company in the Plan.

1.15 “Compensation” for any tax year has the meaning set forth in Treasury Regulations Section 1.415-2(d) (Treasury Regulations Section 1.415(c)-2, for Plan Years commencing after July 1, 2007) . Effective January 1, 1998, Compensation shall also include any elective deferrals as defined in Code Section 402(g)(3) made by the Participant during a

Plan Year and any pre-tax Employee contributions made by the Employer on behalf of the Employee for the Plan Year, pursuant to Code Section 125 and/or Code Section 132(f)(4).

For Plan Years prior to January 1, 1997, in determining the Compensation of a Participant for purposes of determining whether he or she is a Highly Compensated Employee (as defined in Section 11.3(a)(3», the family aggregation rules of former Code Section 414(q)(6) shall apply, except that in applying such rules, the term “family” shall include only the Eligible Spouse of the Participant and any lineal descendants of the Participant who have not attained age 19 before the close of the year.

1.16 “Disability Retirement Date” is defined in Section 7.3.

1.17 “Early Retirement Date” shall have the meaning stated in subsections (a) through (d) below, whichever is applicable to a particular Participant. “Earliest Retirement Date” means the earliest date that would satisfy all of the conditions of the definition of Early Retirement Date that is applicable to the Participant.

(a) Except as otherwise provided in subsections (b), (c) and (d), a Participant may retire prior to his or her Normal Retirement Date on an Early Retirement Date which, subject to his or her election, may be the first day of any month coincident with or following the latest of:
   (a) the Participant’s 55th birthday,
   (b) the date on which the Participant completes 10 Years of Vesting Service, or
   (c) the date of the Participant’s Termination of Employment.

(b) A Grossmont Participant may retire prior to his or her Normal Retirement Date on an Early Retirement Date which, subject to his or her election, may be the first day of any month coincident with or following the date of his or her Termination of Employment on or after reaching age 55 and completing three Years of Vesting Service.
(c) A Sumitomo Participant may retire prior to his or her Normal Retirement Date on an Early Retirement Date, which subject to his or her election, may be the first day of any month coincident with or following the date of his or her Termination of Employment on or after reaching age 55 and completing five Years of Vesting Service.
(d) A Commerce Participant may retire prior to his or her Normal Retirement Date and receive his or her entire Accrued Benefit on an Early Retirement Date which, subject to his or her election, may be the first day of any month coincident with or following the date of his or her Termination of Employment on or after reaching age 55 and completing three Years of Vesting Service.

1.18 Earnings

(a) Earnings for a Participant for a Plan Year includes the sum of:
   (a) the Participant's wages, salaries, fees for professional service and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Company to the extent that the amounts are includible in gross

   income (including, but not limited to, commissions paid salesmen, compensation for services on insurance premiums, tips, and bonuses);
   (2) the Participant's "elective deferrals" (as defined in Code Section 402(g)) to a plan with a Code Section 401 (k) cash or deferral arrangement maintained by an Affiliate or Subsidiary;
   (3) the Participant's pre-tax contributions to any health or welfare benefit program under Code Section 125 or any qualified public transit and parking program under Code Section 132(f)(4);
   (4) effective on and after January 1, 2001, compensation that the Participant elects to defer to a nonqualified deferred compensation plan maintained by an Affiliate or Subsidiary, but under no circumstances shall the amount of Earnings that is recognized under this paragraph (a)(4) cause the Participant's overall Earnings for the Plan Year to increase by more than 15% of the amount of Earnings determined without reference to this paragraph (a)(4), nor shall it cause overall Earnings to exceed the applicable limitation under subsection (c) below; and
   (5) for each month in which a Participant is entitled to credit for Qualified Military Service, the Participant will be considered, for purposes of determining the Accrued Benefit under this Plan, to have Earnings equal to the Participant's average monthly Earnings during the 12 months (or, if less, the number of months of prior employment with the Employer) immediately preceding his or her period of Qualified Military Service.

(2) The term "Earnings" does not include the types of remuneration described in the following paragraphs.
   (2) except to the extent included in Earnings under clause (a)(2) or (a)(4) above,
      (2) Company contributions to a plan of deferred compensation to the extent that, before the application of the Code Section 415 limitations to that plan, the contributions are not includible in the gross income of the Participant for the taxable year in which contributed; and
      (3) any distributions from a plan of deferred compensation regardless of whether such amounts are includible in the gross income of the Participant when distributed.
   (3) amounts realized from the exercise of a nonqualified stock option, or income realized when restricted stock (or property) held by the Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
   (4) amounts realized by the Participant from the sale, exchange or other disposition of stock acquired under a qualified stock option;
   (5) except to the extent included in Earnings pursuant to Code Section 125 or 132(f)(4) in accordance with clause (a)(3) above,
      (A) other amounts which receive special tax benefits, such as premiums for group term life insurance (without regard to whether the premiums are includible in the gross income of the Participant); and
      (B) reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, welfare benefits, and any lump sum amounts paid at Termination of Employment (on account of such Termination), such as severance pay, vacation and sick leave cash-outs; and (5) fees for service as a member of a board of directors, if any, paid to "Highly Compensated Employees" (as defined in Section 1 1.3 (a)(3)).

(A) Limitations on Earnings under Code Section 401 (a)(17). For each Plan Year, the amount of annual Earnings that shall be taken into account for purposes of determining benefit accruals under the Plan shall not exceed the limit that is in effect for that Plan Year under Code Section 401 (a)(17), after taking into account any amendment of that Code Section that is enacted into law and any adjustment to that limit that is authorized by the Secretary of the Treasury for the calendar year that coincides with that Plan Year (for example, the limit shall be $170,000 for Plan Year 2001 and $200,000 for Plan Year 2002).

If a period over which Earnings is determined under the Plan (determination period) is less than 12 months, the otherwise applicable dollar limit under Code Section 401(a)(17) for that calendar year will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12, determined in a manner consistent with Treas. Reg. Section 1.401 (a)(l7)-1 (b)(3).

1.19 "Eligibility Computation Period," for purposes of determining under Section 2.1 (b) whether an Employee has accrued 1,000 Hours of Service during such a period in order to become eligible to participate in the Plan, means the period of 12 consecutive months commencing on the Employment Date and ending on the first anniversary of such date, or, if 1,000 Hours of Service are not accrued during that 12-month period, the Eligibility Computation Period shall be the 12-month period commencing on the first day of each Plan Year that occurs after the Employment Date.

1.20 Eligible Employee. Subject to the exclusions stated in the following paragraph, Eligible Employee means an Employee of the Company.

"Eligible Employee" does not include:

(a) an Employee of an Affiliate or Subsidiary that is not a Company that has adopted the Plan and is participating in the Plan;
(b) an Employee who is covered under a collective bargaining agreement where retirement benefits were the subject of good faith bargaining which does not provide for retirement benefits under this Plan;
(c) a person who performs services for a Company but is compensated for such services by means of the payroll of a third party employee leasing organization;

(d) any “leased employee” within the meaning of Code Section 414(n)(2), or

(e) a person who is not treated by the Participating Company as an employee for payroll tax purposes, whether or not such person is subsequently determined by a government agency, by the conclusion or settlement of threatened or pending litigation, or otherwise to be (or to have been) a common law employee of the Company.

“Leased employee” shall mean, effective January 1, 1997, any person who, pursuant to an agreement between the Company and any other person or organization (leasing organization), has performed services for the Company (or for any Affiliate or Subsidiary of the Company) and such services are performed under the primary direction or control of the Company, Affiliate or Subsidiary.

In the event of any determination by any court, governmental agency or other party that a person excluded under clause “(c)”, “(d)” or “(e)” should be treated as a common-law employee of the Company for payroll tax purposes, the individual shall not be treated as an Eligible Employee unless and until the date on which the individual is first recharacterized as an Employee for payroll tax purposes on the payroll system of the Company, and not as of any retroactive effective date of such recharacterization.

1.21 “Eligible Spouse” means the legal spouse of the Participant at the time the Participant commences his or her Retirement Income under the Plan (or the Participant’s date of death, if earlier), or, if applicable, a former spouse who is designated as the alternate payee with the right to be treated as the spouse Beneficiary of a Participant according to the terms of a Qualified Domestic Relations Order.

1.22 "Eligibility Computation Period" means a 12-consecutive-month period beginning on an Employee's Employment Date. However, if such Employee fails to complete at least 1,000 Hours of Service during his or her initial 12-consecutive-month period, the Eligibility Computation Period becomes the Plan Year commencing with the Plan Year in which such initial period ends.

1.23 "Employee" means any person who is employed as a common law employee by any Affiliate or Subsidiary, and any "leased employee" within the meaning of Code Section 414(n)(2); provided, however, if leased employees constitute 20% or less of the Employer's non-highly compensated work force, the term "Employee" shall not include a leased employee who is covered by a plan maintained by the leasing organization which meets the requirements of Code Section 414(n)(5).

1.24 "Employer" means, collectively, any and all companies that satisfy the definition of an "Affiliate or Subsidiary" (as defined in Section 1.5). All Employees of the Employer will be treated as employed by a single employing company for purposes of applying the requirements for qualification of the Plan under Code Section 401(a).

1.25 "Employment Date" means the date on which an Employee first performs an Hour of Service for any member of the Employer.

1.26 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.27 "Grossmont Participant" means a participant in the Grossmont Plan who became a Participant in this Plan effective January 1, 1998 as a result of the merger of the Grossmont Plan into this Plan.

Based upon his or her status in the Grossmont Plan on December 31, 1997, and based on whether or not the Grossmont Participant becomes an Eligible Employee on January 1, 1998, a Grossmont Participant shall, as of January 1, 1998, be either an Active Participant,

an Inactive Participant, a Terminated Vested Participant, a Disabled Participant or a Retired Participant in this Plan (as those terms are defined in Section 1.36).

1.28 "Grossmont Plan" means the Grossmont Bank Restated Defined Benefit Pension Plan and Trust, restated effective January 1, 1996, according to the terms and conditions of that plan which existed as of the close of business on December 31, 1997 when assets and benefits for Grossmont Participants were transferred to and merged into this Plan.

1.29 "Hour of Service" means:

(a) each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Company;

(b) each hour for which an Employee is paid, or entitled to payment, by the Company on account of a period of time during which no duties are performed (whether or not the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence; provided, however, that an Employee will not be credited with more than 501 Hours of Service under this sentence for any continuous period during which he or she performs no duties for the Company. Notwithstanding the preceding provisions of this paragraph, no credit will be given:

   (a) for an Hour of Service for which the individual is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed if such payment is made or due under a plan maintained solely

for the purpose of complying with applicable workers' compensation, unemployment compensation or disability insurance laws (except as specifically provided for in Article 7); or

(b) for an Hour of Service for which a payment is made which solely reimburses the individual for medical or medically related expenses incurred;

(c) each hour not otherwise credited under the Plan for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Company.

(d) Effective December 12, 1994, Qualified Military Service shall be credited for purposes of eligibility under Section 2.1 (b) and for Years of Vesting Service. For a Participant returning from Qualified Military Service on or after January 1, 2001, for purposes of satisfying the 1,000 Hours of Service requirement of Section 2.1 (b) during an Eligibility Computation Period, and for purposes of determining Years of Vesting Service, a Participant will receive 190 Hours of Service for each full or partial month during which the Participant is engaged in Qualified Military Service.

(e) Hours of Service will be credited for employment as an Employee of any Affiliate or Subsidiary.

(f) Solely for purposes of determining whether a Break in Service has occurred, an individual who is absent from work will receive credit for the Hours of Service which would have been credited to the individual but for such absence if the absence is (1) because of the pregnancy of the individual, (2) because of the birth of a child of the individual, (3) because of the placement of a child with the individual in connection with the adoption of such child by such individual, (4) for purposes of caring for such child for a period beginning immediately following such birth or placement, or (5) for family or medical leave required to be provided under the Family and Medical

Leave Act of 1993. Where such hours cannot be determined, eight Hours of Service per day of such absence will be used, The Hours of Service credited under this paragraph will be credited in the computation period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, ill all other cases, such hours will be credited in the following computation period.

(g) The foregoing notwithstanding, Participants whose pay is solely on a commission basis will be credited with Hours of Service as follows:

(g) If the Participant's Earnings for a Plan Year are at least 750 multiplied by the lowest hourly rate of compensation payable to employees in the same job classification as the Participant, then the Participant will be credited with 1,000 Hours of Service for that Plan Year.

(h) If the Participant's Earnings for a Plan Year are less than 750 multiplied by the lowest hourly rate of compensation payable to employees in the same job classification as the Participant, then the Participant will not be credited with any Hours of Service for that Plan Year.

(h) The crediting of Hours of Service under this Plan will be performed in accordance with applicable provisions of the Department of Labor Regulations 2530.200b-2 and 2530.200b-3 (including, by way of example, the equivalency rules which may be applied in the event that a Participant's actual Hours of Service cannot be determined), and such regulations are incorporated by reference herein.

1.30 "Investment Manager" shall have the meaning stated in Section 3(38) of ERISA.

1.31 “Late Retirement Date” – If a Participant continues in the service of the Company or any Affiliate or Subsidiary beyond his or her Normal Retirement Date, then his or her Late Retirement Date will be the first day of any month coincident with or following the date of the Participant’s Termination of Employment. A Participant’s Late Retirement Date will not be later than the required beginning date described in Section 5.11(c) even if his or her employment continues after such date.

1.32 Nonvested Former Participant” means a prior Participant who has incurred a Termination of Employment and who does not have a vested interest in his or her Accrued Benefit in accordance with Section 6.1.

Nonvested Former Participant also means a prior participant in the Grossmont Plan who has incurred a Termination of Employment under that plan and who did not have a vested interest in that plan on December 31, 1997.

Nonvested Former Participant also means a prior participant in the Sumitomo Plan who has incurred a Termination of Employment under that plan and who did not have a vested interest in that plan on September 30, 1998.

Nonvested Former Participant also means a prior participant in the Commerce Plan who has incurred a Termination of Employment under that plan and who did not have a vested interest in that plan on December 31, 1998.

1.33 “Normal Retirement Age” – If the Participant’s Participation Date is on or after July 1, 1994, his or her “Normal Retirement Age” is the later of:

(a) his or her 65th birthday, or

(b) the earlier of:

  (b) the date the Participant completes five Years of Vesting Service, or

  (c) the fifth anniversary of his or her Participation Date provided the Participant is an Employee on or after the later of such date or his or her 65th birthday and earns at least one Year of Vesting Service after any Break in Service. If the Participant first participated in the Plan before July 1, 1994, the Participant’s Normal Retirement Age is 65.

Notwithstanding the foregoing, the Normal Retirement Age for a Commerce Participant is his or her 65th birthday.

1.34 "Normal Retirement Date" – A Participant's Normal Retirement Date will be the first day of the month coincident with or next following the date of attaining his or her Normal Retirement Age.

1.35 "Old Plan Account" is defined in Section 4.7.

1.36 "Participant" means an Active Participant, Inactive Participant, Terminated Vested Participant, Disabled Participant, or Retired Participant, as defined below:

(a) "Active Participant" means an Eligible Employee who has met the requirements for participation described in Article 2.

(b) "Inactive Participant" means a prior Active Participant who is on an Authorized Period of Absence, or who is employed by an Affiliate or Subsidiary other than a Company that is then a participating Company in the Plan, or who is employed by the Company but is not an Eligible Employee.

(c) "Terminated Vested Participant" means a former Eligible Employee who has incurred a Termination of Employment, who retains a vested interest in accordance with Section 6.1, and who is not currently receiving benefit payments under the Plan.

(d) "Disabled Participant" means a former Active Participant who has a total and permanent disability as determined under Article 7.

(e) "Retired Participant" means a former Eligible Employee who is receiving benefit payments under the Plan.

1.37 "Participation Date" means the date as of which an Eligible Employee becomes a Participant in the Plan, in accordance with the terms stated in Article 2,

1.38 "Plan" means the Zions Bancorporation Pension Plan.

1.39 "Plan Year" means a calendar year.

1.40 "Qualified Domestic Relations Order" or "QDRO" means a judgment, decree or order of a court with authority under state law for domestic relations matters, which is issued for the benefit of a named "alternate payee" in connection with divorce, marital property rights or alimony, and which complies with all requirements of Code Section 414(P). As further described in Section 5.13, a QDRO may expressly provide either for (a) a division of a Participant's Accrued Benefit between the Participant and an alternate payee, (b) a

distribution to an alternate payee, (c) the right of an alternate payee to elect to receive one or more distributions on or after a specified date or occurrence of a specified event, or (d) the designation of an alternate payee as beneficiary for some or all of the Participant's benefit upon the Participant's death. A QDRO shall identify (i) the name and last known mailing address of the Participant and of each alternate payee (who shall be either a Participant's spouse, former spouse, child or other dependent); ii) the amount or percentage of the Participant's benefit to be paid by the Plan to each alternate payee, or the manner in which such percentage is to be determined; iii) the number of payments or period to which such order applies; and (iv) the name of each benefit plan of the Employer to which it applies. A domestic relations order shall not be treated as an enforceable QDRO under this Plan unless and until the Administrative Committee (or a person or administrator designated by that Committee) has determined that the domestic relations order conforms to the requirements of Code Section 414(P), describes benefits that are consistent with the terms of this Plan, and satisfies the requirements of any QDRO guidelines maintained by the Administrative Committee or its designee.

1.41 "Qualified Service" shall have the meaning stated in Code Section 414(u)(5), and shall refer to an individual's service in the uniformed services of the United States to the extent the individual, on or after December 12, 1994, is entitled to re-employment rights (sometimes referred to as "USERRA" rights) and returns to employment in a timely manner following such service according to chapter 43 of title 38 of the United Stated Code.

1.42 "Retirement Date" means the date the Participant's benefits commence. Benefits may begin at the Participant's Early, Normal, Late or Disability Retirement Date. Whenever restrictions on benefits are imposed under Section 11.5, the Participant has a Termination of Employment prior to the date on which benefit restrictions are imposed and the Participant has elected a benefit payable in a form other than as an annuity, the Retirement Date shall be the date the Participant would have received his or her benefit had the Participant elected distribution in the form of an annuity, regardless of when actually paid.

1.43 "Single Life Annuity" means an annuity providing level monthly payments over the life of the annuitant.

1.44 "Sumitomo Participant" means:

(a) A Participant in the Sumitomo Plan who became a Participant in this Plan on October 1, 1998 in connection with the October 31, 1998 merger of the Sumitomo Plan into this Plan, or

(b) (b) An employee of Sumitomo Bank of California on September 30, 1998 who becomes eligible to participate in this Plan on or before December 31, 1999.

Based upon his or her status in the Sumitomo Plan on September 30, 1998, and based upon whether or not he or she became an Eligible Employee on October 1, 1998, a Sumitomo Participant described in subsection (a) shall be deemed an Active Participant, an Inactive Participant, a Terminated Vested Participant, a Disabled Participant or a Retired Participant in this Plan, as defined in Section 1.36, on October 1, 1998.

1.45 "Sumitomo Plan" means the Sumitomo Bank of California Pension Plan as in effect immediately prior to November 1, 1998.

1.46 "Termination of Employment" means cessation of employment with the Company or any member of the Employer due to:

(a) voluntary or involuntary termination or separation of employment, or

(b) failure to return to work for at least 30 days upon the expiration of any Authorized Period of Absence from the Company or any member of the Employer, in which event cessation of active work will be deemed to have occurred at the time such Authorized Period of Absence expired.

Transfer of employment, without interruption, between members of the Employer will not be deemed a Termination of Employment.

1.47 "Trust Agreement" means the agreement between the Company and the Trustee.

1.48 "Trust Fund" means all money or property held by the Trustee pursuant to the Trust Agreement.

1.49 "Trustee" means the trustee appointed by the Board of Directors of the Company and named as such in the Trust Agreement.

1.50 "Year of Vesting Service" means a calendar year after December 31, 1988 during which an Employee completes 1,000 or more Hours of Service except as follows:

(a) For Plan Years from December 31,1994 to December 31, 1997, an Employee shall be credited with a partial Year of Vesting Service (measured in calendar months) in a Plan Year in which the Employee completes less than 1,000 Hours of Service but in which the Employee has a Benefit Service Date or in which the Employee retires, dies, or incurs a Termination of Employment if the Employee completes 83.33 Hours of Service multiplied by the number of calendar months during such Plan Year in which the Employee completes at least one Hour of Service. The Employee will be

credited with months of Service equal to the number of calendar months during the Plan Year in which the Employee completes at least one Hour of Service. Twelve months of Service will equal a Year of Vesting Service,

(b) Year of Vesting Service also include Years of Vesting Service earned before January 1, 1989 under the terms of the Plan in effect as of December 31, 1988.

(c) A Participant shall be credited in the 1989 calendar year with 190 Hours of Service for each month in which the Participant earned at least one Hour of Service in his or her partial Year of Vesting Service (if any) ending on December 31, 1988.

(d) The foregoing notwithstanding, a Participant must be at least age 18 before he or she can earn a Year of Vesting Service.

(e) The foregoing notwithstanding, if a Participant who has no vested interest in the Plan incurs a Break in Service, Years of Vesting Service will not include:

   (a) service prior to a Break in Service which is not followed by a Year of Vesting Service, and

   (b) service prior to five or more consecutive one year Breaks in Service if the number of consecutive one year Breaks in Service equals or exceeds the number of prior Years of Vesting Service.

This subsection (e) shall not apply to a Sumitomo Participant who failed to earn 501 hours of service under the Sumitomo Plan in any Plan Year ending prior to November 1, 1998, or to a nonvested former participant in the Sumitomo Plan who incurred a Termination of Employment under that plan on or prior to September 30, 1998.

(f) Years of Vesting Service earned by Grossmont Participants prior to December 31, 1997 shall be calculated as defined under the provisions of the Grossmont Plan.

(g) Special Rules Applicable to Sumitomo Participants:

   (f) Years of Vesting Service earned by a Sumitomo Participant prior to November 1, 1998 shall be calculated as defined under the provisions of the Sumitomo Plan,

   (g) A Sumitomo Participant who earns 1,000 or more Hours of Service in the Plan Year beginning on January 1, 1998 and ending on December 31, 1998, shall be credited with one Year of Vesting Service.

   (h) After December 31, 1998, a Sumitomo Participant shall be credited with one Year of Vesting Service for each calendar year in which he or she completes 1,000 or more Hours of Service.

   (i) In no event will a Sumitomo Participant's Years of Vesting Service be less than what the Sumitomo Participant would have earned under the Sumitomo Plan through his or her anniversary year ending in the calendar year ending on December 31, 2000.

(h) Years of Vesting Service earned by Commerce Participants prior to January 1, 1999 shall be credited as determined under the provisions of the Commerce Plan.

(i) Effective April 1, 1997, for a former employee of an acquired company listed on Appendix IV who becomes an Eligible Employee as of the Acquisition Effective Date listed in that Appendix, the Eligible Employee's prior service as an employee of the acquired company (or of any affiliate or subsidiary of the acquired company) shall be credited for purposes of determining Years of Vesting Service under this Plan.

(j) Effective January 1, 1997, any individual who was a leased employee (as defined in Section 1.20) and who subsequently becomes an Eligible Employee shall be credited with all years of service as a leased employee for purposes of determining Years of Vesting Service.

1.51 "Zions" means Zions Bancorporation, which is the sponsor of this Plan and the ultimate parent corporation of the Employer.

ARTICLE II
PARTICIPATION

2.1 Participation Date means the date a Participant first becomes an Active Participant, pro-vided that the Participation Date of a Nonvested Former Participant who is reinstated under Section 2.2 after five or more consecutive one year Breaks in Service shall be the date of reinstatement.

(a) An Eligible Employee who was an Active Participant in the Plan on March 31, 1997 will continue to be an Active Participant on April 1, 1997.

(b) Except as provided in subsections (c) through (f) below, any other Eligible Employee will become an Active Participant in the Plan on the January 1 or July I coinciding with or next following the later of (1) the date on which the Employee completes an Eligibility Computation Period during which he or she completes at least 1,000 Hours of Service, or (2) the Employee's 21st birthday.

(c) Effective April 1, 1997, in the case of an Employee who has a period of employment as an Employee or leased employee (as defined in Section 1.20) of an Affiliate or Subsidiary during which he or she is not an Eligible Employee (either because of the individual's employment status or because the employing company is not a participating Company), which is followed (without a Break in Service) by a transition to Eligible Employee status (either because of a change of individual employment status or because the employing company has become a participating Company in this Plan), then the Employee's Hours of Service prior to becoming an Eligible Employee shall be credited toward meeting the eligibility service requirement of subsection (b) above, and the Eligible Employee will become an Active Participant on the first day of the month coinciding with or next following the later of the dates referred to in clause (1) and (2) of subsection (b) above.

(d) An Eligible Employee who was an active participant in the Grossmont Plan on December 31, 1997 shall become a Participant in this Plan on January 1, 1998 (or, if later, the date (if any) on which he or she becomes an Eligible Employee).

(e) An Eligible Employee who was an Active Participant in the Sumitomo Plan on September 30, 1998, shall become a Participant in this Plan effective October 1, 1998. Effective on or before December 31, 1999, any other employee of Sumitomo Bank of California on September 30, 1998 shall become a Participant in this Plan on the first of the month coinciding with or next following the later of (1) the date on which the Employee completes an Eligibility Computation Period during which he or she completes at least 1,000 Hours of Service, or (2) the Employee's 21 st birthday.

(f) An Eligible Employee who was an Active Participant in the Commerce Plan on December 31, 1998, shall become a Participant in this Plan effective (g) January 1, 1999.

(g) Effective April 1, 1997, for a former employee of an acquired company listed on Appendix IV who becomes an Eligible Employee as of the Acquisition Effective Date listed in that Appendix, the Eligible Employee's prior service as an employee of the acquired company (or of any affiliate or subsidiary of the acquired company) shall be credited for purposes of eligibility to become an Active Participant in the Plan. If such Eligible Employee had accrued at least 1,000 hours of service (according to

the records maintained by the acquired company) in the 12-month period ending on the Acquisition Effective Date (and had attained age 21 on or before such date), the Eligible Employee shall become an Active Participant in this Plan as of the first day of the calendar month coinciding with or first following the Acquisition Effective Date. Otherwise, the Participation Date shall be the first day of the calendar month coinciding with or first following the date on which the sum of the pre-acquisition service and post-acquisition Hours of Service satisfy the Eligibility Computation Period requirements of subsection (b) above (and the Eligible Employee has attained at least age 21).

(h) From and after December 31, 2002, no Employee (whether or not an Eligible Employee) who is not already a Participant in the Plan as of December 31, 2002, shall become a Participant in the Plan or be eligible to commence participation in the Plan.

2.2 Reinstatement of Active Participation. A Terminated Vested Participant, a Retired Participant, an Inactive Participant, or a Nonvested Former Participant who again becomes an Eligible Employee or who returns from an Authorized Period of Absence will be reinstated as an Active Participant on the day he or she is reinstated as an Eligible Employee or returns from such Authorized Period of Absence.

ARTICLE III
ESTABLISHMENT AND MAINTENANCE OF CASH BALANCE ACCOUNT

Except as otherwise stated, this Article shall be effective as of April 1, 1997.

3.1 Initial Establishment of Cash Balance Account.

(a) A Cash Balance Account will be established for each Participant on the date he or she first becomes a Participant. The initial balance in the Cash Balance Account will be zero, With respect to each person who is an Active Participant or a Disabled Participant on March 31, 1997, a Cash Balance Account will be established as of January 1, 1997. The initial balance in the Participant's Cash Balance Account will equal the present value of the Active or Disabled Participant's accrued benefit under the Plan as of December 31, 1996, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate and the Participant's age on December 31, 1996, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

(b) With respect to each Inactive Participant and Terminated Vested Participant on March 31, 1997 who becomes an Active Participant on or after April 1, 1997 and each Nonvested Former Participant on March 31, 1997 who becomes an Active Participant and does not lose his or her prior vested interest in accordance with Section 1.50(e), a Cash Balance Account will be established on the date he or she again becomes an Active Participant. The initial balance in the Participant's Cash Balance Account will equal the present value of the Participant's accrued benefit under the Plan as of December 31, 1996, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate, the Participant's age on the date he or she again becomes an Active Participant, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

(c) A Cash Balance Account will be established for each Grossmont Participant who becomes an Active Participant in this Plan on January 1, 1998. The initial balance in the Grossmont Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Grossmont Plan as of December 31, 1997, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate, the Participant's age on December 31, 1997, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

(d) With respect to each Inactive Participant and Terminated Vested Participant (as defined in Sections 1.27 and 1.36 of this Plan) in the Grossmont Plan on December 31, 1997 who becomes an Active Participant in this Plan or after January 1, 1998 and each Nonvested Former Participant in the Grossmont Plan on December 31, 1997 who becomes an Active Participant in this Plan and does not lose his or her prior vested interest in accordance with Section 1.50, a Cash Balance Account will be established on the date he or she becomes an Active Participant in this Plan. The initial balance in the Grossmont Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Grossmont Plan as of December 31, 1997, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate, the Grossmont Participant's age on the date he or she again becomes a Participant, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

(e) A Cash Balance Account will be established for each Sumitomo Participant who becomes an Active Participant in this Plan on October 1, 1998, The initial balance in the Sumitomo Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Sumitomo Plan as of September 30, 1998, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate and the Participant's age on September 30, 1998, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

(f) With respect to each inactive participant and terminated vested participant in the Sumitomo Plan on September 30, 1998 who becomes an Active Participant in this Plan after October 1, 1998, and each nonvested former participant in the Sumitomo Plan who becomes an Active Participant in this Plan after October 1, 1998, a Cash Balance Account will be established on the date such Employee becomes an Active Participant in this Plan. The initial balance in the Sumitomo Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Sumitomo Plan as of September 30, 1998, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate, the Sumitomo Participant's age on the date he or she again becomes an Active Participant, and the Applicable Mortality Table described in Section IA(b)(1) which is in effect as of such date.

Notwithstanding the foregoing, the initial balance in the Cash Balance Account of a Sumitomo Participant who receives a distribution of the actuarial equivalent of his or her full accrued benefit from the Sumitomo Plan on or before October 31, 1998 shall be zero,

(g) A Cash Balance Account will be established for each Commerce Participant who becomes an Active Participant in this Plan on January 1, 1999. The initial balance in the Commerce Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Commerce Plan as of December 31, 1998, expressed in the form of a Single Life Annuity. The present value will be determined using the Participant's age on December 31, 1998, and

the interest and mortality basis specified in the Commerce Bancorporation Defined Benefit Plan (as that plan was in effect on December 31, 1998) for terminations occurring during the 1999 plan year,

(h) With respect to each inactive participant and terminated vested participant in the Commerce Plan on December 31, 1998 who becomes an Active Participant in this Plan after January 1, 1999, and each nonvested former participant in the Commerce Plan who becomes an Active Participant in this Plan after January 1, 1999, a Cash Balance Account will be established on the date such Employee becomes an Active Participant in this Plan. The initial balance in the Commerce Participant's Cash Balance Account will equal the present value of his or her accrued benefit under the Commerce Plan as of December 31, 1998, expressed in the form of a Single Life Annuity. The present value will be determined using a 7% interest rate, the Commerce Participant's age on the date he or she again becomes an Active Participant, and the Applicable Mortality Table described in Section 1.4(b)(1) which is in effect as of such date.

Notwithstanding the foregoing, the initial balance in the Cash Balance Account of a Commerce Participant who receives a distribution of the actuarial equivalent of his or her full accrued benefit from the Commerce Plan on or before December 31,1998 shall be zero.

3.2 Earnings Credits.

(a) General Rule for Earnings Credits. As of the last day of each Plan Year the Cash Balance Account of each Participant who is employed on that date and who has completed at least 1,000 Hours of Service during the Plan Year will be credited with an amount equal to the product obtained by multiplying the Participant's Earnings for the Plan Year by a percentage from the following table, which percentage is based upon the Participant's age as of the last day of the Plan Year:

Attained Age	Percentage
Fewer than 30 years	2.25%
At least 30 years, but fewer than 40 Years	3.00%
At least 40 years, but fewer than 50 years	4.00%
At least 50 years, but fewer than 55 years	5.25%
At least 55 years, but fewer than 60 years	7.00%
60 or more years	9.25%

(b) Acquisitions and Reinstatements in a Year of At Least 1,000 Hours. Notwithstanding the foregoing, in the Plan Year containing a Participant's Participation Date (or date of reinstatement as an Active Participant), where the Participation Date (or reinstatement date) is later than January 1 of the Plan Year, but where the Participant accrues 1,000 Hours of Service for the Plan Year, then:

(b) If the Participant received Earnings as an Employee for the period from January 1 of such Plan Year to the Participation Date (or reinstatement date), the Earnings Credit for that Plan Year shall be the product of the amount determined under Section 3.2(a) times a fraction, the numerator of which is the number of completed months of Plan participation as an Active Participant during the Plan Year, and the denominator of which is 12 (or, if less, the number of months from January 1 to the date of the Participant's Termination of Employment; and

(c) If the Participant did not receive Earnings as an Employee prior to his or her Participation Date (for example, if a Participant has a right to an immediate Participation Date upon an Acquisition Date as described in Section 3.2(c), or a right to an immediate reinstatement of Participation following a Break in Service or Period of Authorized Absence as described in Section 2.2), then the Earnings Credit shall be determined as described in 3.2(a) taking into account the Earnings from the Participation Date through December 31 (or, if earlier, the date of the Participant's Termination of Employment, as described in Section 3.2(c)).

(c) Acquisitions in a Year of Less Than 1,000 Hours. This subsection shall apply to a Participant who becomes a Participant in this Plan as the result of an acquisition with an "Acquisition Effective Date" (as stated in Appendix N) other than January 1 of a Plan Year, and who fails to complete 1,000 Hours of Service in the Plan Year containing the Acquisition Effective Date. Such a Participant shall be entitled to an Earnings Credit for such Plan Year, if such Participant's Hours of Service earned following the Acquisition Effective Date, when annualized, equal or exceed 1,000. The annualized hours shall be the product of the Participant's actual Hours of

Service times a fraction, the numerator of which is 12 and the denominator of which is the number of completed months as an Active Participant during the said Plan Year. The Earnings Credit for such Plan Year shall be as stated in Section 3.2(b)(2). For this purpose, Earnings will not include amounts earned prior to the Acquisition Effective Date.

(d) Earnings Credit If Employment Terminates Prior to Year End. Subject to the terms of subsection (e), the Cash Balance Account of a Participant who is not an Employee on the last day of the Plan Year but who has completed at least 1,000 Hours of Service during the Plan Year will be credited as of the last day of the Plan Year or, if earlier, as of the date on which the Participant's benefit is paid or commences to be paid, with an amount calculated in the manner described in the applicable subsection of this Section 3.2, but based upon the Participant's Earnings for the Plan Year and the age of the Participant as of the date on which he or she incurs a Termination of Employment.

(di) Terminations of Employment in Plan Year 2000. Effective January 1, 2000, in the case of a Participant who had a Termination of Service for any reason between January 1, 2000 and December 31, 2000, the Participant shall be entitled to an Earnings Credit for the 2000 Plan Year if the Hours of Service he or she accrued prior to the Termination of Employment, when annualized, equal or exceed 1,000. The annualized hours shall be the product of the Participant's actual Hours of Service times a fraction, the numerator of which is 12 and the denominator of which is the number of completed months as an Employee during the said Plan Year.

(dii) Unless otherwise provided by further amendment, from and after December 31, 2002, no Cash Balance Account of any Participant shall accrue any further contribution or earnings credit under this Section 3.2.

(diii) Earnings Credits for Grandfather Participants. As of the last day of each Plan Year the Cash Balance Account of each Grandfather Participant (as defined in Section 4.8(b)) who is employed on that date and who has completed at least 1,000 Hours of Service during the Plan Year will be credited with an amount equal to the product obtained by multiplying the Grandfather Participant's Earnings for the Plan Year by a percentage from the following table, which percentage is based upon the Grandfather Participant's age as of the last day of the Plan Year:

Attained Age	Percentage
At least 55 years, but less than 60 years	4.00%
60 or more years	6.25%

3.3 Interest Credits.

(a) General Rule for Quarterly Interest Crediting. For calendar quarters commencing on and after April 1, 1997, as of the last day of each calendar quarter, the Cash Balance Account of each Participant who has a Cash Balance Account on that date will be credited with interest on the balance in the account as of the first day of the Plan Year. Interest will be credited at the rate of 25% of the annual rate of interest on 30-year Treasury securities for November of the previous Plan Year. If a Participant's benefit commences prior to the end of a calendar quarter, no interest will be credited for the quarter. Notwithstanding the provisions of Section 3.2(f), Interest

Credits shall continue to accrue as provided in Section 3.3 for each Participant who has a Cash Balance Account in the Plan as of January 1, 2003.

(b) If An Account Balance Is Established During a Plan Year. Notwithstanding the prior paragraph, the terms of this subsection shall apply to a Participant who, on a date subsequent to April 1, 1997, has a right to have a Cash Balance Account established during the course of a Plan Year with an opening balance greater than zero, either in the case of a reinstatement of Active Participant status as described in Section 3.1(b) or 3.5(a), or in the case of an initial Participation Date of a former employee of an acquired company described in Section 3.1 (d), 3.1(e), 3.1(f) or 3.1(h). In such a case, the Participant's Cash Balance Account shall be credited with interest during the remainder of such a Plan Year (subject to the terms of Section 3.4, if applicable), as follows.

  (b) As of the last day of the calendar quarter in which the Cash Balance Account is established, the interest for such initial calendar quarter shall be the product of the opening balance of the Cash Balance Account, times 25% of the annual rate of interest (as stated subsection (a) above), times a fraction, the numerator of which is the number of complete calendar months from the effective date of the establishment of the Cash Balance Account to the end of the calendar quarter, and the denominator of which is three.

  (c) In any subsequent calendar quarter during the same Plan Year, interest shall be credited as stated in Section 3.1(a), except that the principal amount shall be the opening balance of the Cash Balance Account rather than the balance as of January 1 of the Plan Year.

3.4 Maintenance of Account after Termination of Employment until Benefit Commencement.

(a) After Termination of Employment. After Termination of Employment, a Participant's Cash Balance Account will continue to be maintained and credited with interest pursuant to Section 3.3, until the Participant's benefit commences to be paid or is deemed to be paid under Section 6.3(b).

(b) If Re-Employed with an Existing Cash Balance Account Prior to Benefit Commencement. This subsection shall apply to a Terminated Vested Participant who (i) is reemployed as an Eligible Employee of the Company, (ii) is reinstated to Active Participant status as of such re-employment date according to Section 2.2, and (iii) has an existing Cash Balance Account. In such a case, on and after the date of reinstatement of Active Participant status, the Cash Balance Account will continue to be credited with interest on a quarterly basis, and the Active Participant shall have a right to receive Earnings Credits to the extent provided in Section 3.2(b).

3.5 Establishment of New Account if Re-employed After Benefit Commencement.

(a) If a Nonvested Former Participant's Cash Balance Account has ceased to be maintained due to the deemed zero-dollar "cash-out" distribution (under Section 6.3 (b» of his or her entire interest under the Plan, he or she becomes an Active Participant prior to incurring five consecutive Breaks in Service, and he or she completes a Year of Vesting Service following the date of re-employment, then, as of the date of becoming an Active Participant (but contingent upon satisfying the said Year of Service requirement), the Participant's Cash Balance Account will be restored to the balance in the Cash Balance Account as of the previous Termination of Employment

date, increased for interest in accordance with Section 3.3 for the period from the Termination of Employment date to the date the Participant again became an Active Participant.

(b) If a Retired Participant is re-employed by the Company and again becomes an Active Participant in the Plan after his or her Cash Balance Account has ceased to be maintained pursuant to Section 3.4, a new Cash Balance Account, with an initial balance of zero, will be established as of the last day of the Plan Year in which he or she again becomes an Active Participant. The Cash Balance Account will be credited with earnings and interest as provided in Sections 3.2 and 3.3. Any Retirement Income which is being paid as a monthly benefit to the Retired Participant as of the date of his or her re-employment shall not be suspended and shall be unaffected by the resumption of employment. The benefit accrued by the Participant from the date of re-employment to the subsequent Termination of Employment shall be subject to an election by the Participant with respect to the form and timing of the benefit which is separate and independent from the election that was applicable to the benefit that commenced on the prior Retirement Date. Moreover, to the extent that a spousal consent is applicable to the benefit that accrued subsequent to the re-employment date, the person with the right to consent shall be the Eligible Spouse (if any) to whom the Participant is legally married at the time of the commencement of the benefit that accrued subsequent to the re-employment date, and not the Eligible Spouse as of the first Retirement Date.

3.6 Market Rate of Interest. With respect to any distribution made from a Participant's Cash Balance Account after August 17, 2006, the interest rate used for accumulating a Participant's Cash Balance Account shall not exceed a market rate of return. Regardless of the rate specified in the Plan an interest credit (or equivalent amount) of less than zero shall in no event result in the Cash Balance Account or similar amount being less than the aggregate amount of contributions credited to the Cash Balance Account. Notwithstanding the foregoing, upon termination of the Plan:

(a) If the interest credit rate (or an equivalent amount) under the Plan is a variable rate, then the rate of interest used to determine a Participant's Cash Balance Accrued Benefit under the Plan shall be equal to the average of the rates of interest used under the Plan during the 5-year period ending on the termination date; and

(b) The interest rate and mortality table used to determine the amount of any Cash Balance Accrued Benefit under the Plan payable in the form of an annuity at normal retirement age shall be the rate and table specified under the Plan for such purpose as of the termination date, except that if the interest rate is a variable rate, the interest rate shall be determined under the rules of subsection (a) above.

ARTICLE IV
ACCRUED BENEFIT

4.1 Accrued Benefit. A Participant's Accrued Benefit is equal to the largest of the benefits described in Sections 4.2, 4.3, or 4.4. Notwithstanding anything to the contrary herein, in no event will the benefit payable to a Participant be less than the following:

(a) The Accrued Benefit of a Participant who was a Participant in the Plan on March 31, 1997, shall not be less than the benefit accrued by such Participant under the Plan on March 31, 1997.

(b) The Accrued Benefit of a Grossmont Participant shall not be less than the benefit accrued by such Grossmont Participant under the Grossmont Plan on December 31, 1997.

(c) The Accrued Benefit of a Sumitomo Participant shall not be less than the benefit accrued by such Sumitomo Participant under the terms of the Sumitomo Plan (as in effect on September 30, 1998) with benefit accruals based on the earlier of the Participant's Termination of Employment or December 31, 1999.

(d) The Accrued Benefit of a Commerce Participant shall not be less than the benefit accrued by such Commerce Participant calculated as of December 31, 1998 under the terms of the Commerce Plan.

(e) Notwithstanding the provisions of Section 3.2(f), the account balance of a Participant who was a Participant in the Plan on December 31, 2002, and which is used to calculate the Cash Balance Account shall never be smaller than the account balance as of December 31, 2002. If greater than the foregoing, the Accrued Benefit calculated under Section 2.3 of Appendix III for a Participant who is a Great Grandfather Participant (as defined in Section 4.4) shall never be less than the Accrued Benefit determined under that Section for the Participant on December 31, 2002.

4.2 Cash Balance Accrued Benefit. A Participant's cash balance accrued benefit is a monthly benefit in the form of a Single Life Annuity commencing on his or her Normal Retirement Date, or the current date, if later, which is the Actuarial Equivalent of the balance in the Participant's Cash Balance . Account as of his or her Normal Retirement Date, or the current date, if later. For purposes of determining a Participant's cash balance accrued benefit:

(a) The balance in the Participant's Cash Balance Account as of the Participant's Normal Retirement Date, if the Participant has not yet reached that date, will be determined by projecting the balance in the Participant's Cash Balance Account at the determination date to the Participant's Normal Retirement Date. The projection will be accomplished by applying the interest credits specified in Section 3.3 from the determination date (the date on which benefits are being determined) to the Participant's benefit commencement date (the date on which benefits commence) and by applying the interest credit in Section 3.3 during the year of benefit commencement for each year from the benefit commencement date to the Participant's Normal Retirement Date.

(b) The monthly benefit in the form of a Single Life Annuity will be determined by using the assumptions for Actuarial Equivalence described in Section 1.4(a) and the age

of the Participant as of his or her Normal Retirement Date, or the current date, if later.

4.3 Minimum Accrued Benefit. A Participant's minimum accrued benefit is the monthly benefit accrued by such Participant under the Plan on March 31, 1997, as defined in Section 2.2 of Appendix Ill.

4.4 Grandfathered Minimum Accrued Benefit. Any Active Participant or Disabled Participant on March 31, 1997 who, as of December 31, 1997, has attained 55 years of age and has completed 10 Years of Vesting Service is eligible to receive a grandfathered minimum accrued benefit described in Section 2.3 of Appendix III. An Active Participant who satisfies the requirements of the first sentence of this Section 4.4 on December 31, 2002, (a "Great Grandfather Participant") shall continue effective January 1, 2003, to accrue all benefits which were available to such Great Grandfather Participant under this Plan as of December 31, 2002, and the provisions of Section 3.2(f) shall not apply to such Great Grandfather Participant.

4.5 Accrued Benefit Attributable to the Old Plan Account. The Accrued Benefit Attributable to the Old Plan Account as of the Participant's Normal Retirement Date, or current date if later, will be equal to the Participant's Old Plan Account expressed as a monthly benefit under a Single Life Annuity commencing on his or her Normal Retirement Date, or current date if later, using Actuarial Equivalence as provided in Section 1.4(a).

The Accrued Benefit Attributable to the Old Plan Account as of the Participant's Early Retirement Date will be equal to the monthly benefit determined under the foregoing paragraph and, reduced by 5/9 of 1 % for each of the first 60 months by which the Early Retirement Date precedes his or her Normal Retirement Date and by 5/18 of 1 % for each of the next 60 such months.

4.6 Accrued Benefit Attributable to Company Contributions. The Accrued Benefit Attributable to Company Contributions will be equal to the excess, if any, of the Accrued Benefit over the Accrued Benefit Attributable to the Old Plan Account.

4.7 Old Plan Account. A Participant's Old Plan Account is his or her individual account balance under this Plan which resulted from the transfer of funds from a terminated plan formerly sponsored by the Company. The Old Plan Account shall include interest from the transfer date to the earlier of the Participant's Retirement Date or the date on which the Participant's Old Plan Account is otherwise payable pursuant to the provisions of this Plan (the determination date) as follows: The rate of interest shall be compounded annually. For Plan Years beginning before January 1, 1988 and continuing to the determination date, the interest rate shall be 5%, For each Plan Year beginning on or after January 1, 1988 and continuing to the determination date, the interest rate shall be 120% of the federal mid-term rate (as defined in Code Section 1274) in effect on the first day of such Plan Year. For purposes of determining the Accrued Benefit Attributable to the Old Plan Account, the Old Plan Account shall also include interest, compounded annually, at the Actuarial Equivalent interest rate (Section 1.4(a)) applicable to the determination date year, for each Plan Year from the determination date to the Participant's Normal Retirement Date. In no event can a Participant's Old Plan Account be withdrawn prior to Termination of Employment, death or retirement. This section is effective January 1, 1995.

4.8 Continuing Accrual of Benefits for Grandfather Participants.

(a) Notwithstanding the provisions of Section 3.2(f), a Participant who was an Active Participant in the Plan on December 31, 2002, and who satisfies the definition of “Grandfather Participant” in 4.8(b) on that date shall continue to accrue all benefits available to such Grandfather Participant under this Plan as of December 31, 2002, except that Earnings Credits for the Grandfather Participant’s Cash Balance Account after December 31, 2002, shall accrue and be determined by reference to Section 3.2(g) and not Section 3.2(a).

(b) “Grandfather Participant” shall mean for purposes of Section 4.8(a) an Active Participant on December 31, 2002, who:

(a) had attained at least age fifty-five (55), and

(b) was credited with at least ten (10) Years of Vesting Service.

ARTICLE V
AMOUNT OF RETIREMENT INCOME

5.1 Monthly Retirement Income. A Participant’s monthly retirement income commencing on his or her Normal Retirement Date, Early Retirement Date, Late Retirement Date, or Disability Retirement Date will be equal to his or her benefit described in Section 5.2,5.3, 5.4, or 5.5.

5.2 Normal Retirement Income. The monthly amount of retirement income payable to a participant retiring on his or her Normal Retirement Date will be equal to the Accrued Benefit earned to his or her Normal Retirement Date. This amount is reduced by the Accrued Benefit Attributable to the Old Plan Account if the Participant has previously taken a lump sum payment of the Old Plan Account under Section 5.7(d). This Retirement Income will be subject to adjustment depending on the Form of Retirement Income elected in accordance with Section 5.7.

5.3 Early Retirement Income.

(a) The Early Retirement Income amounts described in this Section 5.3 will be subject to adjustment depending on the Form of Payment elected in accordance with Section 5.7,

(b) The monthly amount of retirement income payable to a Participant retiring on an Early Retirement Date is the greater of:

 (a) The Actuarial Equivalent value of the Participant's Cash Balance Account as of the Early Retirement Date using the assumptions for Actuarial Equivalence described in Section 1.4(a) and the age of the Participant as of the Early Retirement Date.

 (b) The Minimum Early Retirement Benefit as described in Article 3 of Appendix III.

The above amount is reduced by the Accrued Benefit Attributable to the Old Plan Account as of the Participant's Early Retirement Date, as determined under Section 4.5 if the Participant has taken a lump sum payment of the Old Plan Account under Section 5.7(d).

(c) A Grossmont Participant's minimum early retirement benefit shall be at least equal to the Actuarial Equivalent of his or her Accrued Benefit determined as of December 31, 1997. Actuarial Equivalent shall be calculated using:

 (c) Interest at a rate of 7% per annum, compounded annually, and

 (ci) Mortality determined in accordance with the Unisex Pension 1984 Mortality Table, set back three years for both males and females.

(ci) A Sumitomo Participant's minimum early retirement benefit payable on an Early Retirement Date shall be equal to the Sumitomo Participant's Accrued Benefit described in Section 4.1 (c) multiplied by an early retirement factor from the table below:

Participant's Age At Commencement	Factor
55	0.4912
56	0.5236

57	0.5572
58	0.5956
59	0.6364
60	0.6820
61	0.7336
62	0.7888
63	0.8524
64	0.9220
65	1.000

Interpolation shall be used to determine the Factor applicable to the minimum benefit calculation of a Participant who retires in any month other than his or her month of birth.

(e) A Commerce Participant's early retirement benefit shall be at least equal to the Actuarial Equivalent of his or her Accrued Benefit determined as of December 31, 1998 under the terms of the Commerce Plan. For the purpose of this subsection (e) Actuarial Equivalent for a Commerce Participant, shall be calculated using the 1984 Uniform Pensioners Mortality Table and an interest rate equal to the lesser of 100% of the Pension Benefit Guaranty Corporation's immediate interest rate in effect on the first day of the Plan Year in which the Commerce Participant retires or 4%.

5.4 Late Retirement Income.

(a) The monthly amount of Retirement Income payable to a Participant retiring on a Late Retirement Date will be equal to the Participant's Accrued Benefit earned to the Late Retirement Date. The amount determined according to the previous sentence is reduced by the Accrued Benefit Attributable to the Old Plan Account if the Participant has previously taken a lump sum payment of the Old Plan Account under Section 5.7(d). This Retirement Income will be subject to adjustment depending on the Form of Retirement Income elected in accordance with Section 5.7.

(b) The minimum late retirement benefit of a Grossmont Participant shall be at least equal to the Actuarial Equivalent of his or her Accrued Benefit determined as of December 31, 1997, and taking into account his or her years of benefit service and final average monthly earnings, as defined in the Grossmont Plan, as of December 31, 1997. Actuarial Equivalent shall be calculated using:

(a) Interest at a rate of 7% per annum, compounded annually, and

(b) Mortality determined in accordance with the 1984 Unisex Pensioners Mortality Table, set back three years for both males and females.

(c) The minimum late retirement benefit of a Sumitomo Participant shall never be less than his or her Accrued Benefit determined under Section 4.1 (c).

5.5 Disability Retirement Income is described in Section 7.4.

5.6 Application for Retirement Income. Each Participant must notify the Committee in writing of his or her intent to retire. Upon receipt of such notification, each Participant will receive a written explanation of the terms and conditions of the various Forms of Retirement Income and the financial effect of electing each Form of Retirement Income. A Participant will have the right to elect or revise a previously elected Form of Retirement Income at any time during his or her Election Period.

A Participant's Election Period is the 90 day period ending on the date his or her Retirement Income is to begin. The Committee will make Election Information available to a Participant within a reasonable period of time prior to the date Retirement Income is to begin. In no event will a Participant's Election Period end prior to the 30th day next following the day on which Election Information and the information provided in accordance with the first paragraph of this Section 5.6 are first made available to him.

For purposes of this Section, Election Information will include:

(a) a written explanation of each form of Retirement Income and the relative financial effect of the payment of Monthly Retirement Income in that form;

(b) a statement of the right to consider the benefit election for at least 30 days; and

(c) a notification that Retirement Income payments will be made in the 50% Spouse Option form (or the Life Annuity Form if the Participant is not married) unless he or she elects otherwise during the Election Period and his or her spouse consents to such election.

The Participant must elect a form of payment in writing. An election of a form of payment other than a Spouse Option will not be valid without the written consent of the Participant's spouse. The spouse's consent must acknowledge the effect of the election and must be witnessed by a plan representative or notary public. The Participant may change his or her election at any time, and any number of times, during the 90 day period ending on the date his or her Retirement Income is to begin. The Participant may not change the form of payment without further spousal consent unless the spouse expressly permits such changes. The requirement for spouse's consent will be waived if the participant establishes to the satisfaction of the Committee that such consent cannot be obtained because there is no spouse, the spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may by regulations prescribe.

The election by the Participant and the consent of the spouse must be obtained no more than 90 days prior to the annuity starting date (as defined in the previous paragraph).

If the spouse of a Participant who has elected a Spouse Option dies before Retirement Income payments begin, the Retirement Income will be paid to the Participant in the form of the Single Life Annuity.

For any Election Period and any distribution notice issued or Election Information relative thereto provided under this Section or any other Plan Section in Plan Years beginning after December 31, 2006, any reference to a 90-day maximum notice or election period shall be changed to 180 days. Notices and Election Information given to Participants pursuant to Code §41i(a)(ll) in Plan Years beginning after December 31, 2006, shall include a description of how much larger benefits will be if the commencement of distributions is deferred. Notices to Participants shall include the relative values of the various optional forms of benefit, if any, under the Plan as provided in Treas. Reg. §1.417(a)-3. This provision is effective for qualified pre-retirement survivor annuity explanations first provided on or after July 1, 2004; for qualified joint and survivor annuity

explanations with respect to any distribution with a Retirement Date on or after February 1, 2006; and on or after October 2, 2004, with respect to any optional form of benefit subject to the requirements of Code §417(e)(3), if the actuarial present value of that optional form is less than the actuarial present value as determined under Code §417(e)(3).

5.7 Forms of Retirement Income. A Participant retiring on his or her Normal, Early, Late, or Disability Retirement Date may elect one of the following Forms of Retirement Income payment:

(a) A Spouse Option provides for a monthly payment during the Participant's life. After the Participant's death, a percentage of the Participant's Retirement Income will be paid for life to the Participant's Eligible Spouse. The percentage to be paid to the Participant's Eligible Spouse will be 50%, 662/3% (for Plan Years after December 31, 2007, 75%) or 100% as elected by the Participant, The monthly payment under the Spouse Option will be equal to the Actuarial Equivalent of the amount payable under the Life Annuity form using the factors from Appendix I.

(b) The Life Annuity form provides for a monthly payment during the Participant's life, with the last payment being made for the month in which the Participant's death occurs.

(c) Lump Sum Payment Option provides for a single payment equal to the greater of the balance in the Participant's Cash Balance Account as of the Participant's Retirement Date or the Lump Sum value of his or her Accrued Benefit using the Actuarial Equivalent basis for lump sums provided under Section 1.4(a). If a Participant took a lump sum payment of his or her Old Plan Account before retirement, the Lump Sum Payment Option shall be based on the Accrued Benefit Attributable to Company Contributions as described in Section 4.6. If a Participant maintains an Old Plan Account on his or her Retirement date, the lump sum shall not be less than the sum of the Old Plan Account on the Retirement Date and the Lump Sum Payment Option amount using the Accrued Benefit Attributable to Company Contributions as described in Section 4.6.

(d) Lump Sum Payment of Old Plan Account Option provides for a lump sum payment of the Participant's Old Plan Account. The Participant's Accrued Benefit Attributable to Company Contributions is paid in a Life Annuity, Spouse Option, or Lump Sum Payment Option form as elected by the Participant. This form of payment is available to a Participant only one time, at the earlier of his or her retirement or Termination of Employment.

(e) Options Available Only to Grossmont Participants. In addition to the forms described in subsections (a) through (d) above, the following additional forms of benefit are available only to Grossmont Participants:

   (a) Ten Year Certain and Life Thereafter Option. The Ten Year Certain and Life Thereafter Option provides a reduced monthly Retirement Income commencing on the Grossmont Participant's Retirement Date and ceasing with the payment for the month in which the Grossmont Participant's death occurs. The Ten Year Certain and Life Thereafter Option shall be the Actuarial Equivalent of a Single Life Annuity Option. If a Grossmont Participant's death should occur before 120 monthly payments have been made, such payment shall continue to his or her Beneficiary(ies) until the earlier of (a) the Beneficiary(ies) death(s), or (b) a total of 120 monthly Retirement Income payments to the Grossmont Participant and his or her Beneficiary(ies) have been made.

If a Grossmont Participant designates joint Beneficiaries, upon the Grossmont Participant's death prior to the payment of 120 monthly payments, any surviving Beneficiaries shall share equally.

In the event that the (or all) Beneficiary(ies) and the Grossmont Participant die prior to the payment of a total of 120 monthly Retirement Income payments to the Grossmont Participant and/or his or her Beneficiary(ies); the balance of such 120 monthly payments shall be payable to the estate of the last survivor.

In the event the Grossmont Participant and his or her Beneficiary(ies) die prior to the date the Grossmont Participant's benefits are scheduled to commence, the rights of all persons shall be the same as if the option had not been elected,

(2) The Ten Year Certain Option provides a monthly Retirement Income commencing on the Grossmont Participant's Retirement Date and ceasing after 120 monthly payments have been made. The Ten Year Certain Option shall be the Actuarial Equivalent of a Single Life Annuity Option.

If a Grossmont Participant's death should occur before 120 monthly payments have been made, such payment shall continue to his or her Beneficiary(ies) until the earlier of (a) the Beneficiary(ies') death(s), or (b) a total of 120 monthly Retirement Income payments to the Grossmont Participant and/or his or her Beneficiary(ies) have been made.

If a Grossmont Participant designates joint Beneficiaries, upon the Grossmont Participant's death prior to the payment of 120 monthly payments, any surviving Beneficiaries shall share equally.

In the event that the (or all) Beneficiary(ies) and the Grossmont Participant die prior to the payment of a total of 120 monthly Retirement Income payments to the Grossmont Participant and/or his or her Beneficiary(ies), the balance of such 120 monthly payments shall be payable to the estate of the last survivor.

In the event the Grossmont Participant and his or her Beneficiary(ies) die prior to the date the Grossmont Participant's benefits are scheduled to commence, the rights of all persons shall be the same as if the option had not been elected.

(3) For the purpose of this subsection (e), Actuarial Equivalent shall be calculated using:

(3) Interest at a rate of 7% per annum, compounded annually, and

(4) Mortality determined in accordance with the 1984 Unisex Pensioners Mortality Table, set back three years for both males and females.

(4) This subsection (e) shall only apply to the portion of a Grossmont Participant's Accrued Benefit earned prior to January 1, 1998. The portion of a Grossmont Participant's Accrued Benefit earned on or after December 31, 1997 shall be paid in one of the forms described in subsections (a) through (d) of this Section 5.7.

(5) A Grossmont Participant's Accrued Benefit payable under any form described in this Section 5.7(e) shall never be less than his or her Accrued Benefit calculated as of December 31, 1997 under the terms of the Grossmont Plan.

(f) Options Available to Sumitomo Participants: In addition to the forms described in subsections (a) through (d), the following additional forms of benefit are available only to Sumitomo Participants:

(f) Joint and Survivor Annuity. A Sumitomo Participant may elect to have a fraction, either 50% or 100%, of his or her Life Annuity continue after his or her death to the Sumitomo Participant's Beneficiary for life, if the Beneficiary survives the Sumitomo Participant, A Joint and Survivor Annuity payable to a Sumitomo Participant who receives a benefit under Section 4.1 (c) shall be the Actuarial Equivalent of the benefit otherwise payable as a Single Life Annuity (taking into account whichever 50% or 100% option is elected), and using the following Actuarial assumptions: (A) 4% interest, and (B) the 1984 Unisex Pension mortality table with a four-year setback for the age of the Participant and no set-back for the age of the Beneficiary, and (C) the respective ages (in completed months as of the benefit commencement date) of the Participant and Beneficiary. The Beneficiary must be irrevocably designated before benefits commence.

(g) Level Income Option. A Sumitomo Participant who retires prior to his or her Normal Retirement Date and whose benefit is paid in the form of a Life Annuity may elect to receive his or her benefits in a greater amount during the period before Social Security benefits could first be paid and a correspondingly reduced amount after such benefits first become payable, such that the total income (including the adjusted benefit payable under the Plan and the Social Security benefit to which the Sumitomo Participant is entitled) shall be as nearly uniform as possible both before and after commencement of Social Security benefits. The amount of the adjustment to the Sumitomo Participant's benefit shall be calculated using the factors in Appendix III of the Sumitomo Plan, provided that in no event shall value of the benefit payable under this subsection ever be less than that determined by applying the Actuarial Equivalence factors for lumps sum payments described in Section 1.4(a)(ii).

(h) This subsection (f) shall only apply to the portion of the Sumitomo Participant's Accrued Benefit attributable to Section 4. 1 (c). The portion of a Sumitomo Participant's Accrued Benefit not attributable to Section 4.1 (c) shall be paid in one of the forms described in subsections (a) through (d) of this Section 5.7.

(i) A Sumitomo Participant's Accrued Benefit payable in any form under this Section 5.7 shall never be less than his or her Accrued Benefit calculated as of December 31, 1999 under the terms of the Sumitomo Plan.

(g) Options Available to Commerce Participants. In addition to the forms described in subsections (a) through (d), the following additional forms of benefit are available only to Commerce Participants:

(f) The Post-retirement 75% Spouse Option provides a monthly payment during the Commerce Participant's life. After the Commerce Participant's death 75% of the Commerce Participant's Retirement Income will be paid for life to the Commerce Participant's Eligible Spouse. The initial monthly payment under the 75% Spouse Option will be equal to the Actuarial Equivalent of the amount payable under the Life Annuity form. For the purpose of this paragraph (1), Actuarial Equivalent shall be calculated using the 1984 Uniform

Pensioners Mortality Table and an interest rate equal to the greater of 100% of the Pension Benefit Guaranty Corporation immediate interest rate in effect on the first day of the Plan Year in which the Commerce Participant retires or 6.5%.

This paragraph (1) shall only apply to the portion of the Commerce Participant's Accrued Benefit earned prior to January 1, 1999 under the terms of the Commerce Plan, The portion of a Commerce Participant's Accrued Benefit earned on or after January 1, 1999 shall be paid in one of the forms described in subsections (a) through (d) of this Section 5.7.

(2) The Pre-retirement Spouse Options provide a "monthly payment during the Commerce Participant's life starting on the first of any month following his or her Termination of Employment, which date shall be considered the Annuity Starting Date for the purpose of this form of benefit, and prior to his or her Early Retirement Date as described in Section 1.17. After the Commerce Participant's death 50%, 75% or 100% of the Commerce Participant's Retirement Income will be paid for life to the Commerce Participant's Eligible Spouse. The initial monthly payment under the Preretirement Spouse Option will be equal to the Actuarial Equivalent of the amount payable under the Life Annuity form. For the purpose of this paragraph, Actuarial Equivalent shall be calculated using the 1984 Uniform Pensioners Mortality Table and an interest rate equal to the greater of 100% of the Pension Benefit Guaranty Corporation immediate interest rate in effect on the first day of the Plan Year in which the Commerce Participant's Annuity Starting Date occurs or 6.5%.

This paragraph (2) shall only apply to the portion of the Commerce Participant's Accrued Benefit earned prior to January 1, 1999 under the terms of the Commerce Plan. The portion of a Commerce Participant's Accrued Benefit earned on or after January 1, 1999 shall be paid in one of the forms described in subsections (a) through (d) of this Section 5.7.

(3) Commerce Lump Sum Option. A Commerce Participant may elect to receive the Actuarial Equivalent of his or her Accrued Benefit earned before January 1, 1999 in the form of a single payment effective on the first of any month following Termination of Employment, which date shall be considered the Annuity Starting Date for the purpose of this form of benefit. For the purpose of this paragraph (3) Actuarial Equivalent shall be calculated using the 1984 Uniform Pensioners Mortality Table and an interest rate equal to 100% of the Pension Benefit Guaranty Corporation's (PBGC) interest rates in effect on the first day of the Plan Year in which the Commerce Participant's Annuity Starting Date occurs. If the lump sum value using this basis exceeds $25,000 then Actuarial Equivalent shall be calculated using the 1984 Uniform Pensioners Mortality Table and an interest rate equal to 120% of the PBGC rates, For the period of time prior to the Commerce Participant's Normal Retirement Date, pre-retirement mortality shall not be used.

The portion of a Commerce Participant's Accrued Benefit earned on or after January 1, 1999 shall be paid on the retirement date elected by the Commerce Participant in one of the forms described in subsections (a) through (d) of this Section 5,7.

(4) A Commerce Participant's Accrued Benefit payable under any of the forms described in this Section 5.7(g) shall never be less than his or her Accrued

Benefit calculated as of December 31,1998 under the terms of the Commerce Plan.

(h) In the event the benefit restrictions of Section 11.5 apply at the time the Participant would otherwise be eligible to elect a lump sum and prevent such an election, then any election period for the lump sum payment shall be suspended and shall commence or recommence on the earliest possible date following the date the benefit restrictions no longer prevent the Participant from electing a lump sum distribution.

5.8 Payment of Small Benefits. Effective for payments to Participants first commencing after September 18, 1998, if a Participant has a Termination of Employment or dies and the Actuarial Equivalent value of the benefit payable under the Plan to such Participant or his or her Beneficiary does not exceed $5,000 ($3,500, for payments commencing prior to September 18, 1998), the Committee will pay the Actuarial Equivalent value of such benefit to the Participant or Beneficiary in a lump sum. If a lump sum payment is made, no other benefit under the Plan will be due to the Participant or Beneficiary. However, if the Participant receives less than the Actuarial Equivalent of his or her full Accrued Benefit, such Accrued Benefit and related service shall be reinstated if the Participant repays the distributed lump sum with interest at one hundred and twenty percent (120%) of the Federal midterm rate as in effect for the first month of the Plan Year. Such repayment must be made prior to the earlier of (1) the fifth anniversary of the Participant's reemployment date, or (2) the date the Participant incurs a five-year Break in Service.

If the Participant's Vested Percentage is zero, the Participant will be deemed to have received a distribution of the Vested Percentage of his or her Accrued Benefit and to have forfeited the nonvested percentage of his or her Accrued Benefit.

If the Actuarial Equivalent value of the Participant's benefit at the time of a distribution exceeds $5,000 (or $3,500, whichever is applicable), then such value at any subsequent time will be deemed to exceed $5,000 (or $3,500, whichever is applicable). For any distribution subject to this Section 5.8 commencing on or after March 28, 2005, which is greater than $1,000, if the Participant does not elect to have the distribution paid in a direct rollover to an "eligible retirement plan" (as defined in Section 5.9(b)(2)) specified by the Participant or to receive the distribution directly in a lump sum cash payment, then the Committee shall cause the Plan to pay the distribution in a direct rollover to an individual retirement plan designated by the Committee.

5.9 Eligible Rollover Distribution.

(a) This Section 5.9 applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the plan to the contrary that would otherwise limit a distributee's election under this Section 5.9, a distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) Definitions.

(a) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the amount payable by the Plan to a distributee, except that an eligible rollover distribution does not include: (A) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the

distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period often years or more; (B) any distribution to the extent such distribution is required under Code Section 401(a)(9); or (C) the portion of any distribution that is not includible in gross income.

(2) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Section 403(a), or a qualified trust described in Code Section 401 (a) that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution prior to January 1, 2002, that is payable to the surviving Eligible Spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

Effective for distributions occurring on or after January 1, 2002, an "eligible retirement plan" for any distributee (including a surviving Eligible Spouse) shall include, in addition to the plans and programs mentioned in the first sentence of the previous paragraph, any tax-deferred annuity program under Code Section 403(b) and any deferred compensation plan of a governmental entity under Code Section 457.

For distributions made after December 31, 2007, an eligible retirement plan shall also mean a Roth IRA described in Code Section 408A(b).

(3) Distributee: A distributee includes a Participant or an Eligible Spouse.

(4) Direct rollover: A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

5.10 Re-employment After Retirement. In order to retire, a Participant must have a Termination of Employment. Effective January 1, 1992, if a Retired Participant is rehired by the Company, his or her Retirement Income, if being paid in a Life Annuity form, will not be suspended. The Retired Participant may earn additional benefits as provided in Article 3. The benefit attributable to service during the Participant's re-employment that is not yet in payment status will be paid, or commence to be paid upon the earlier of the Participant's subsequent retirement or the Participant's required beginning date described in Section 5.11(c). Such benefit may be paid in any form elected by the Participant, which form may be different from the form in which benefits are currently being paid.

If the Participant dies during such period of re-employment, any death benefits attributable to service during the Participant's re-employment will be determined in accordance with Article 8. Any death benefit attributable to service before the Retired Participant's re-employment will be determined in accordance with the provisions of the applicable Form of Retirement Income elected at his or her original retirement,

5.11 Commencement of Benefits.

(a) Retirement Income payments will begin on the later of the Retirement Date elected by the Participant or the first day of the month following the date on which the Participant applies for a retirement benefit.

(b) Unless a Participant elects otherwise, Retirement Income payments will begin not later than the 60th day after the end of the Plan Year in which:

 (1) the Participant's Normal Retirement Age, or

 (2) the Participant's Termination of Employment occurs, whichever is later.

(1) The required beginning date described in this paragraph (c) will apply regardless of any election made by the Participant.

 (1) Except as provided by subparagraphs (2), (3) and (4) below, Retirement Income payments will begin not later than April 1 of the calendar year following the calendar year in which the Participant attains age 70~ whether or not such Participant's employment has terminated. Effective for Plan Years commencing on or after January 1, 1999, for a Participant who is not a 5% owner and who attains age 70-112 on or after January 1, 1999, Retirement Income payments will begin not later than April 1 following the calendar year in which the Participant attains age 70-112 or, if later, April 1 following the calendar year in which the Participant incurs a Termination of Employment.

(2) A Participant who attained age 70 in 1988, who is not a 5% owner, and who has not retired by January 1, 1989, will be treated as having retired on January 1, 1989. Retirement Income payments will begin not later than April 1, 1990 for such Participants.

(3) Retirement Income payments for a Participant who attained age 70 before January 1, 1988, and who is not a 5% owner will begin not later than April of the calendar year following the later of (A) the calendar year in which the Participant attained age 70~, or (8) the calendar year in which the Participant retires.

(4) Retirement Income payments for a Participant who attained age 70 before January 1, 1988, and who is a 5% owner will begin not later than April 1 of the calendar year following the later of (A) the calendar year in which the Participant attained age 70~, or (B) the earlier of (i) the calendar year within which ends the Plan Year in which the Participant becomes a 5% owner, or (ii) the calendar year in which the Participant retires.

(5) A Participant is treated as a 5% owner for purposes of this paragraph (c), if such Participant is a 5% owner as defined in Code Section 416(i) at any time during the Plan Year ending within the calendar year in which such owner attains age 66 or any subsequent Plan Year. Once a Participant is described in this subparagraph, distributions will continue to such Participant even if such Participant ceases to own more than 5% of the Company in a subsequent year. Effective January 1, 1999, a Participant is treated as a 5% owner if the Participant is a "5 percent owner" (as defined in Code Section 416(i)(1)(B)(i)) at any time during the calendar year in which the Participant attains age 70-112.

(6) If a Participant receives payments under this paragraph (c), such payments will be determined as if the Participant's Late Retirement Date were the date by which Retirement Income payments must be made under this paragraph (c). If the Participant continues to earn additional Accrued Benefits after this date, his or her Monthly Retirement Income will be redetermined on each January 1 following the date benefit payments commence. This re-determined benefit will be payable under the Form of Retirement Income elected as of the Late Retirement Date in accordance with Section 5.7.

(7) Effective January 1, 1999, for a Participant whose continued active employment results in the deferral of Retirement Income to a date later than April I following the calendar year the Participant attains age 70-112 (the "Base Date"), the Accrued Benefit for such a Participant shall be Actuarially adjusted to reflect the deferral period from the Base Date to the date the Participant commences payment of Retirement Income. The Actuarial adjustment shall be based on the factors stated in Section IA(d).

5.12 Delay of Payment Due to Administrative Error.

(a) Delay in Commencing Annuity Payments. In the event Retirement Income payments to a Participant are delayed for more than 60 days beyond his or her Retirement Date due to an administrative error, or such other event designated by the Committee, the affected Participant shall be entitled to Retirement Income payments retroactive to his or her Retirement Date, plus interest at a rate of 6% per year on the portion of the delayed payment which is more than 60 days late.

(b) Delay in Payment of Lump-Sum. Effective on and after November 1, 1998, the provisions of this paragraph shall apply if a Participant or Beneficiary becomes entitled to receive a lump-sum Retirement Income payment pursuant to Section 5.7 or 5.8, and if the payment of such lump-sum is delayed due to an administrative error for more than 60 days. In such a case, if the Participant or Beneficiary has a right to receive a lump-sum based on the balance of his or her Cash Balance Account (or other account balance under the Plan which is expressed as a single sum), then the amount payable on the delayed date shall be the balance of such account after crediting of interest applicable to the account through the end of month immediately preceding the delayed payment date. However, if the Participant or Beneficiary has a right to receive a lump-sum based on the Actuarial present value of an Accrued Benefit expressed in the form of an annuity, the lump-sum which shall be payable to the Participant or Beneficiary as soon as administratively practical after the administrative error has been detected shall be an amount that is equal to the greater of:

(a) the sum of: (A) the Actuarial present value of the Accrued Benefit based on the age, mortality and interest rate factors in effect as of the 60th day following the earliest date on which the benefit could have been paid in accordance with the terms of the Plan, plus (B) interest at 6% per annum for the whole and/or partial years from the said 60th day to the payment date; or

(b) a lump-sum based on the Accrued Benefit on the date of Termination (or death, if applicable), but with the Actuarial present value based on the age, mortality and interest rate factors in effect as of the actual payment date.

5.13 Suspension of Benefits for Active Participants at Normal Retirement Date.

(a) Permissible Suspension. For a Participant who has not previously commenced receiving monthly benefits and who continues in active service as an Employee after attaining his or her Normal Retirement Date, the right to receive payment of benefits shall be suspended so long as such employment continues, but not later than any required beginning date applicable to the Participant under Section 5.11(c), at which time the benefit shall commence. For any period of suspension between the Normal Retirement Date and April 1 following the year the Participant attains age 70-112 there shall be no Actuarial adjustment to the Participant's benefit attributable to the suspension of the benefit. For any period of suspension that continues past such date, the terms of Section 5.11 (c)(7) shall apply.

Any such suspension shall not apply to a Participant who has attained age 65 and performs no more than 40 Hours of Service per month. The benefit for such a Participant shall commence on the later of the Normal Retirement Date or the first day of the month following the date the Participant performs 40 or fewer Hours of Service per month.

(b) Notice of Suspension of Benefits. A Participant whose benefit payment rights are suspended as described in the previous paragraph shall be notified in writing of such suspension as soon as administratively practical following the date as of which such payments are withheld. Such notice shall, among other things, advise the Participant of his or her right to request a review of the suspension, in accordance with the procedures in Section 12.6.

(c) Participant's Duty to Notify Plan Administrator. Each such Participant shall have the duty to notify the Plan Administrator if and when the Participant modifies his or her regular work schedule to less than 40 Hours of Service per month, in which case the suspension shall cease, subject to verification by the Committee.

(d) Benefits Paid in Error May Offset Future Benefits. In the event that benefits are mistakenly paid to a Participant during a period for which benefit payments should have been suspended under this Section, the amount mistakenly paid may be offset against benefits which become properly payable in the future, provided that such offset shall not exceed 25 percent of the benefit payable in each subsequent month.

5.14 Benefits Under a Qualified Domestic Relations Order (QDRO). A domestic relations order, if (but only if) it is determined by the Committee (or the Committee's designated QDRO administrator) to be a Qualified Domestic Relations Order, may provide, as of a stated date (or upon the occurrence of a stated event pertaining to the Participant), either:

(a) the division of a Participant's Accrued Benefit between the Participant and a named alternate payee, in portions or amounts stated in the QDRO;

(b) the distribution to a named alternate payee of a stated portion (or dollar amount) of the Participant's benefit, in an amount not greater than the value of the Participant's Accrued Benefit that is vested at such time; or

(c) a right for a named alternate payee to be treated as Beneficiary for all or a stated portion of a Participant's death benefit.

Notwithstanding any other provision of this Section, a QDRO may not (1) require a form of benefit distribution not provided under the terms of this Plan, (2) cause any unvested benefit to be vested, (3) cause a Participant's Accrued Benefit to have a value greater than the value determined under the terms of this Plan, (4) provide for a distribution to commence from an alternate payee's benefit at a time later than the latest date or age as of which a benefit distribution may commence under this Plan, or (5) otherwise state terms which are inconsistent with the terms of this Plan.

The Committee (or QDRO administrator) shall determine whether a domestic relations order meets the requirements of this Section within a reasonable period after it is received by the Committee (or QDRO administrator). The Committee (or QDRO administrator) shall notify the Participant and any alternate payee that a domestic relations order has been received. Any amounts due the alternate payee under the domestic relations

order which, in its absence, would be paid to the Participant or a beneficiary, shall be held during the period while the domestic relations order's qualified status is being determined. If a domestic relations order is not affirmatively determined to be a QDRO, then such restriction shall lapse on the earlier of the (a) the date the order is determined not to be a QDRO and appeal rights under Section 12.6(c) or (d) (whichever is applicable) have expired or been exhausted, or (b) 18 months after such restriction is imposed.

5.15 Death or Disability While Performing Qualified Military Service. The Plan treats a Participant who, on or after January 1, 2007, dies or becomes disabled (as defined under the terms of the Plan) while performing qualified military service (as defined in Code §414(u)) with respect to the Employer as if the Participant had resumed employment in accordance with the Participant's re-employment rights under USERRA, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability.

5.16 Non-spouse Beneficiary Rollover. For distributions first commencing after December 31, 2009, a non-spouse beneficiary who is a "designated beneficiary" under Code §401(a)(9)(E) and the regulations thereunder may roll over by a direct trustee-to-trustee transfer ("direct rollover"), all or any portion of his or her distribution to an Individual Retirement Account (IRA) the beneficiary establishes for purposes of receiving the distribution, In order to be able to roll over the distribution, the distribution must otherwise satisfy the definition of an "eligible rollover distribution" under Code §401(a)(31) and the provisions of Section 5.9 and this Section.

(a) If a non-spouse beneficiary receives a distribution from the Plan, the distribution will not be eligible for a 60-day (non-direct) rollover.

(b) If the Participant's named beneficiary is a trust, the Plan may make a direct rollover to an IRA on behalf of the trust, provided the trust satisfies the requirements to be a designated beneficiary within the meaning of Code §401(a)(9)(E).

(c) A non-spouse beneficiary may not roll over an amount that is a required minimum distribution, as determined under applicable Regulations and other guidance. If the Participant dies before his or her required beginning date and the non-spouse beneficiary rolls over to an IRA the maximum amount eligible for rollover, the beneficiary may elect to use either the five-year rule or the life expectancy rule, pursuant to Treas. Reg. §1.40I(a)(9)-3, Q&A-4(c), in determining the required minimum distributions from the IRA that receives the non-spouse beneficiary's distribution.

ARTICLE VI
TERMINATION AND VESTING

6.1 Vesting.

(a) Except as described in subsection (b), a Participant's vested Accrued Benefit will be equal to the sum of (1) and (2) below:

  (a) The Participant's Accrued Benefit Attributable to the Old Plan Account determined in accordance with Section 4.5.

  (b) Effective January 1, 1989, the Participant's Accrued Benefit Attributable to Company Contributions (determined in accordance with Section 4.6) multiplied by the vested percentage shown in the following table:

Years of Vesting Service	Vested Percentage
Less than 5	—%
5 or more	100%

(b) A Grossmont Participant's, and a Commerce Participant's, Accrued Benefit will be equal to his or her Accrued Benefit Attributable to Company Contributions (determined in accordance with Section 4.1) multiplied by the vested percentage shown in the following table:

Years of Vesting Service	Vested Percentage
Less than 3 years	—%
3 years but less than 4	20%
4 years but less than 5	40%
5 or more years	100%

(c) In addition, a Participant's Accrued Benefit will be 100% vested if and when the Participant attains his or her Normal Retirement Age while an active Employee.

(ci) Effective December 12, 1994, a Participant will receive vesting credit for any and all years and partial years of Qualified Military Service.

(cii) The vested percentage of Cash Balance Accrued Benefit for each Participant who has at least one Hour of Service after December 31, 2007, shall be determined according to the following table:

Years of Vesting Service	Vested Percentage
Less than 3	—%
3 or more	100%

6.2 Termination Benefit.

(a) A Terminated Vested Participant will have the option of:

(a) withdrawing his or her Old Plan Account, in which event the Participant would be entitled to his or her vested Accrued Benefit Attributable to Company Contributions commencing on his or her Normal or Early Retirement Date, or

(2) leaving his or her Old Plan Account in the Plan, in which event the Participant would be entitled to his or her vested Accrued Benefit commencing on his or her Normal or Early Retirement Date.

(2) The monthly amount of Retirement Income payable to a Terminated Vested Participant who commences his or her benefit on the Normal Retirement Date will be equal to the vested Accrued Benefit (or, if the Old Plan Account has been withdrawn, the vested Accrued Benefit Attributable to Company Contributions) earned to the date of Termination of Employment. This Retirement Income will be subject to adjustment depending on the Form of Retirement Income elected in accordance with Section 5.7.

(3) The monthly amount of Retirement Income payable to a Terminated Vested Participant who commences his or her benefit on an Early Retirement Date is equal to the Early Retirement Income described in Section 5.3.

(4) Except as provided in Section 5.8, the Old Plan Account of a Participant will not be distributed pursuant to this Section unless the Participant elects such distribution and the Eligible Spouse of the Participant consents to the distribution not more than 90 days prior to the date of such distribution. The Eligible Spouse's consent must acknowledge the effect of the election and must be witnessed by a plan representative or notary public. The requirement for consent of the Eligible Spouse will be waived if the Participant establishes to the satisfaction of the Committee that such consent

cannot be obtained because there is no Eligible Spouse, the Eligible Spouse cannot be located or because of such other circumstances as the Secretary of the Treasury may by regulations prescribe.

6.3 Re-employment After Termination of Employment.

(a) If a Terminated Vested Participant is subsequently reinstated as an Active Participant, his or her Retirement Income subsequent to his or her eventual Termination of Employment following the second period of employment will be based on the Participant's Accrued Benefit under the provisions of the Plan in effect as of such subsequent Termination of Employment, except that it may not be less than the Participant's Accrued Benefit as of the date of any prior Termination of Employment.

(b) If a Participant's employment with the Company terminates prior to the Participant's becoming partially or fully vested in his or her Accrued Benefit, the Participant will be deemed to have received a distribution of his or her entire vested interest under the Plan. The Participant's unvested Accrued Benefit will be forfeited on the date of his or her Termination of Employment. A Participant whose benefit has been so forfeited will be deemed "cashed out" from the Plan. If the former Participant is re-employed before incurring five consecutive Breaks in Service and after completing a Year of Vesting Service, his or her Cash Balance Account and Accrued Benefit will be restored in accordance with Sections 3.5(a) and 4.1 respectively.

6.4 Termination Benefits and Re-employment for Commerce Participants.

(a) A Commerce Participant may elect to receive the portion of his or her Accrued Benefit earned prior to January 1, 1999 on the first day of any month coincident with or following his or her Termination of Employment ("Termination Benefit"). The Termination Benefit is the Actuarial Equivalent of the Accrued Benefit earned

prior to January 1, 1999. For early retirement reduction, Actuarial Equivalent shall be calculated as described in Section 5.3(e). For benefit form adjustment, Actuarial Equivalent shall be calculated as described in Sections 5.7(g)(2) and 5.7(g)(3). Upon meeting the requirements of Section 1.17(d), a Commerce Participant may receive the remainder of his or her Accrued Benefit earned on or after January 1, 1999.

(b) In the event a vested Commerce Participant who terminated after December 31, 1998 and before his or her Early Retirement Date, received a distribution upon Termination of Employment, and becomes re-employed, which means he or she has at least 40 Hours of Service with the Employer during any calendar month, his or her Termination Benefit or Retirement Income shall be determined and paid as described below:

  (b) In the event a Commerce Participant has commenced annuity payments and is subsequently re-employed, such annuity payments shall continue upon reemployment;

  (c) In the event a Commerce Participant received a lump sum distribution under Section 5.7(g)(3) upon Termination of Employment and becomes re-employed prior to incurring five consecutive one-year Breaks-In-Service, he or she may repay such benefit with interest, at 120% of the Federal mid-term rate as in effect for the first month of the Plan Year, to the Plan within five years after reemployment.

The Accrued Benefit of a Commerce Participant who makes such repayment shall be determined as if no prior distribution occurred.

(3) The additional benefit earned during re-employment may be paid in any form elected by the Participant pursuant to Sections 5.7(a) to (d).

6.5 Special Termination Benefit for Sumitomo Participants. This Section applies to a Sumitomo Participant who (a) had a Termination of Employment for any reason between October 1, 1998 and September 30, 1999, (b) was not a Highly Compensated Employee (as defined in this Plan) for the Plan Year in which the Termination of Employment occurred, and (c) elected to receive severance benefits in connection with his or her separation from the Company under either the Sumitomo Severance Benefit Program, the Executive Retention and Severance Benefit Agreement and/or the Key Contributor Retention and Severance Agreement (which are plans and programs that are not part of this Plan and are not funded by the Trust Fund). In the case of each Sumitomo Participant who met all of the conditions of the previous sentence, the minimum benefit under Section 4.1(c) of this Plan as of his or her Termination of Employment shall be increased by 6.5%.

ARTICLE VII
DISABILITY BENEFITS

7.1 Determination of Disability. A Participant has a "total and permanent disability" if, while employed by the Company, the Participant ceases to perform the duties assigned to him or her by the Company due to a disability that meets the following eligibility criteria:

(a) the Participant is entitled to disability retirement income payments under Title II of the Federal Social Security Act; provided, however, that this criterion in this clause "(a)" shall cease to be applicable to the definition of "total and permanent disability" on or after March 1, 2002, and

(b) the Participant is eligible for disability benefits under the Company's long term disability plan.

It will be the responsibility of the Participant to submit proof of disability, as described in clause (a) and (b) above, satisfactory to the Committee.

7.2 Eligibility for Disability Benefits. A Disabled Participant or former Disabled Participant may retire on a Disability Retirement Date if the Participant has completed five Years of Vesting Service as of the date first disabled under Section 7.1.

7.3 Disability Retirement Date. If the Participant's total and permanent disability continues until the Participant's Normal Retirement Date, the Participant's Disability Retirement Date shall be the Normal Retirement Date (or the first day of the month following Termination of Service, if later). If a Disabled Participant's total and permanent disability ends before the Normal Retirement Date, the Participant may retire on an Early or Normal Retirement Date, whichever applies, and such date will be his or her Disability Retirement Date.

7.4 Disability Retirement Income. A Disabled Participant will be entitled to a monthly Disability Retirement Income beginning on his or her Disability Retirement Date. The amount will be equal to the retirement income from Section 5.2,5.3, or 5.4 on the Disability Retirement Date. While a Participant's total and permanent disability continues, until the earliest of the Participant's attaining his or her Normal Retirement Date, death, or the Participant's Disability Retirement Date, Earnings will be credited (in accordance with Section 3.2, as though the Participant were continuing to accrue 1,000 or more Hours of Service per year) in the amount equal to Earnings in the most recent year prior to the year of initial disability in which 1,000 Hours of Service were worked. Disability Retirement Income will be subject to adjustment depending on the Form of Retirement Income elected in accordance with Section 5.7.

ARTICLE VIII
DEATH BENEFITS

8.1 Death after Commencement of Benefits. Death Benefits for a Retired Participant will be determined in accordance with the provisions of the applicable Form of Retirement Income elected.

8.2 Death Prior to Commencement of Benefits. This Section 8.2 shall be effective April 1, 1997, except as otherwise stated below.

(a) If a Participant, whose vested Accrued Benefit is calculated under Section 4.2, dies before his or her Retirement Date, the Participant's Eligible Spouse, if any, will receive a benefit commencing on the first day of the month following the Participant's death. The Eligible Spouse may elect to defer payment until the first day of any month on or before the Participant's Normal Retirement Date. The Eligible Spouse will receive a monthly benefit equal to the Actuarial Equivalent amount, as of the date the benefit commences, of the Participant's Cash Balance Account, based upon the Eligible Spouse's age as of the date the benefit commences. This benefit will continue to the death of the Eligible Spouse. Instead of receiving the benefit in the form of a Life Annuity, the Eligible Spouse may elect to receive the benefit in the Lump Sum Payment Option, described in Section 5.7(c), If the Participant does not have an Eligible Spouse who survives him or her, the Cash Balance Account as of the Participant's death will be paid on the first of the month following death to the Participant's estate.

For a Participant who is survived by an Eligible Spouse, the amount of the monthly benefit payable to the Eligible Spouse, as described in this subsection (a) (the "Cash Balance Annuity"), shall in no event be less than any of the following minimum benefits (assuming a benefit commencement date that is the same as the actual benefit commencement date under the prior paragraph) to the extent that any of the following minimum benefit rules is applicable to the deceased Participant:

(1) For Participant with a Minimum Accrued Benefit as defined in Section 4.3 or a Grandfathered Minimum Accrued Benefit as defined in Section 4.4, the Cash Balance Annuity shall not be less than the Minimum Death Benefit that would be payable to the Eligible Spouse as described in Article 4 of Appendix ill.

(2) Effective January 1, 1998, for a Grossmont Participant who has a minimum benefit described in Section 4.1 (b), the Cash Balance Annuity shall not be less than the monthly amount that would be payable as a 50% pre-retirement survivor annuity to the Eligible Spouse with respect to that minimum benefit, in accordance with the actuarial factors and other terms of the Grossmont Plan that were in effect on December 31, 1997.

(3) Effective October 1, 1998, for a Sumitomo Participant who has a minimum benefit described in Section 4. 1 (c), the Cash Balance Annuity shall not be less than the monthly amount that would be payable as a 50% pre-retirement survivor annuity to his or her Eligible Spouse with respect to that minimum benefit, in accordance with the actuarial factors and other terms of the Sumitomo Plan that were in effect on September 30, 1998.

(4) Effective January 1, 1999, for a Commerce Participant who has a minimum benefit described in Section 4. 1 (d), the Cash Balance Annuity shall not be less than the monthly amount that would be payable as a 50% pre-retirement survivor annuity to the Eligible Spouse with respect to that minimum benefit, in accordance with the actuarial factors and other terms of the Commerce Plan that were in effect on December 31, 1998.

(b) If a Participant, whose vested Accrued Benefit is calculated under Plan provisions in effect prior to April 1, 1997, dies before his or her Retirement Date, the Participant's Eligible Spouse, if any, will receive a death benefit in accordance with the prior provisions.

8.3 Effect of Old Plan Account. The Eligible Spouse of a Participant who has an Old Plan Account at death may elect to receive it in a lump sum immediately following death. If the Eligible Spouse elects to receive monthly payments in addition to this lump sum in accordance with Section 8.2(a), the monthly amount payable will equal the monthly amount before consideration of the Old Plan Account reduced by the Accrued Benefit Attributable to the Old Plan Account, as described in Section 4.5. For Participants who die with 10 or more Years of Vesting Service, the Accrued Benefit Attributable to the Old Plan Account commencing prior to the first of the month following what would have been the Participant's earliest Early Retirement Date is the Actuarial Equivalent of the Accrued Benefit Attributable to the Old Plan Account at that earliest Early Retirement Date.

8.4 Return of Old Plan Account. Upon the death of the Participant or, if later, the death of the Eligible Spouse entitled to payments under Section 8.1 or 8.2, the Participant's remaining Old Plan Account, if any, will be paid to the Participant's Beneficiary. For purposes of this Section 8.4, the Participant's remaining Old Plan Account will be equal to the excess, if any, of:

(a) the Participant's Old Plan Account as of his or her date of death or, if earlier, Retirement Date over

(b) the sum of all amounts previously paid from the Trust Fund on such Participant's behalf.

ARTICLE IX
FINANCING THE PLAN

9.1 Company Contributions.

(a) The Company expects to make the contributions necessary to provide the benefits of the Plan. Such contributions will not be less than the amount necessary to meet the minimum funding standards of ERISA.

(b) All contributions will be deposited in the Trust Fund and will be disbursed in accordance with the provisions of the Plan and the Trust Agreement. All benefit payments under the Plan will be paid from the Trust Fund. No person will have any interest in, or right to, any part of the assets of the Plan except as expressly provided in the Plan.

(c) Gains arising from experience under the Plan will not serve to increase the benefits otherwise due any Participant, but will be used to reduce future Company contributions.

9.2 Return of Company Contributions,

(a) Except as provided below and in Section 10.2, the assets of the Plan will never inure to the benefit of the Company and will be held for the exclusive purposes of providing benefits to Participants of the Plan and their Beneficiaries and defraying reasonable expenses of administering the Plan.

(b) If a contribution is made by the Company by a mistake of fact, such contribution will be returned to the Company provided this is done within one year after the payment of such contribution. Earnings attributable to the excess contribution may not be returned, but losses attributable thereto shall reduce the amount to be returned.

(c) Contributions are conditioned upon their current deductibility under Code Section 404. If a contribution deduction is disallowed, to the extent the deduction is disallowed, such contribution will be returned to the Company within one year after the disallowance.

9.3 Employee Contributions. The Company pays the entire cost of the Plan. No employee contributions or rollovers are required or permitted.

ARTICLE X
TERMINATION OF THE PLAN

10.1 Termination of Plan. The Company expects to continue the Plan indefinitely but reserves the right to terminate the Plan in whole or in part.

10.2 Procedures Upon Termination of Plan. Upon termination of the Plan, the following provisions will apply:

(a) Upon complete termination of the Plan, the Accrued Benefit of each Active or fuactive Participant will become fully vested and nonforfeitable (to the extent funded). No additional Employees will become Participants.

Upon partial termination of the Plan, the Accrued Benefit of each Active or fuactive Participant who is affected by such partial termination will become

fully vested and nonforfeitable (to the extent funded).

(b) The assets of the Plan available to provide benefits will be allocated among Participants and their Beneficiaries in the manner and order prescribed by ERISA Section 4044.

If any assets of the Plan remain after all liabilities of the Plan to Participants and their Beneficiaries have been satisfied or provided for, any residual assets will be paid to the Company, provided such payment does not contravene any provision of law.

(c) Upon termination of the Plan, benefits of missing Participants shall be treated in accordance with ERISA Section 4050.

ARTICLE XI
INTERNAL REVENUE CODE LIMITATIONS ON BENEFITS

11.1 Earnings Limitation under Code Section 401(a)(17). A Member's "Earnings", for purposes of determining his or her Accrued Benefit under this Plan, shall be subject to the limitations of Code Section 401 (a)(l7), as stated in Section 1.18 (c) of this Plan.

11.2 Maximum Retirement Benefit under Code Section 415.

(a) For purposes of this Section 11.2 only, the following definitions will apply:
   (a) "Annual Benefit" means a retirement benefit payable annually in the form of a straight life annuity. A benefit payable in a form other than a straight life annuity will be adjusted to be the Actuarial Equivalent of a straight life annuity before applying the limitations of this Section 11.2. However, no Actuarial adjustment will be made for the value of a qualified joint and survivor annuity or the value of benefits that are not directly related to retirement benefits.
   (b) "Annual Benefit Dollar Limit" means the dollar limit for the applicable Plan Year, as stated in paragraph (b)(1) of this Section 11.2, after taking account of any annual adjustment to that limit as stated in that paragraph.
   (c) "Compensation" has the meaning stated in Section 1.15, except that effective for Limitation Years commencing on or after January 1, 2008, the following additional rules shall apply.
      (a) The term "Compensation" shall include payments of Post-Severance Compensation made to a Participant by the latest of (i) two and one-half (2 1/2) months from the date of Termination of Employment, (ii) the end of the Limitation Year for which the Employer is required to furnish the Participants a written statement under Code §§6041(d), 6051(a)(3) and 6052 or (iii) the last day of the Plan Year.
      (b) The term "Compensation" shall not include any payment to a Participant by the Employer after the Participant's Termination of Employment that is not Post-Severance Compensation as defined in (C) below, even if payment of the amount is made within the time period specified in 11.2(a)(3)(A) (i) above.
      (c) "Post-Severance Compensation" shall mean any amount received as regular pay after Termination of Employment if:
         (a) the payment is regular remuneration for services during the Participant's regular working hours, or remuneration for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and
         (b) the payment would have been paid to the Participant prior to a Termination of Employment if the Participant had continued in employment with the Employer.
      (a) For Limitation Years beginning after December 31, 2008, Compensation shall not include any differential wage payment, as defined in Code §3401 (h)(2).
   (4) "Limitation Year" means a Plan Year, which coincides with the calendar year.
   (5) "Social Security Retirement Age" means the age used as the retirement age for a Participant under Section 216(1) of the Social Security Act except that such section shall be applied without regard to the age increase factor, and as if the early retirement age under Section 216(1)(2) of such Act were 62.

(4) The Annual Benefit of a Participant who commences his or her benefit on a date within a Limitation Year may not at any time within a Limitation Year exceed the lesser of (1) or (2) below:
   (4) The dollar limit set forth in Code Section 415(b)(1)(A), as that limit may be modified for the applicable Limitation Year either by amendment of Code Section 415(b)(1) or as a result of an adjustment approved by the Secretary of the Treasury pursuant to Section 415(d) (for example, the limit shall be $140,000 in Plan Year 2001 and $160,000 in Plan Year 2002) Effective each January 1, this limitation will be automatically adjusted to the new dollar limitation prescribed by the Secretary of the Treasury for that calendar year.
   (5) 100% of the annual average of the Participant's Compensation from the Employer for the three consecutive Limitation Years (or all Limitation Years, if fewer than three), during which he or she participated in the Plan and which give the highest average.

(5) If the Annual Benefit payable to a Participant under this Plan and all other defined benefit plans of the Company does not exceed $10,000 and the Employer has not maintained a defined contribution plan in which the Participant participated, the maximum otherwise imposed by this Section 11.2 will not apply.

(6) Service or participation less than ten years
   (4) If a Participant has completed less than ten years of participation in the Plan, the Annual Benefit Dollar Limit will be multiplied by the ratio of the Participant's years (or part thereof) of participation in the Plan to ten. This ratio will not be less than one- tenth.
   (5) If a Participant has completed less than ten Years of Vesting Service, the limits otherwise imposed by Sections 11.2(b)(2) and 11.2(c) will be multiplied by the ratio of the Participant's Years of Vesting Service (or part thereof) to ten. This ratio will not be less than one-tenth.
   (6) To the extent required by regulations under Code Section 415, this Section 11.2(d) will be applied separately with respect to each change in the benefit structure of the Plan.

(7) The provisions of this subsection (e) shall apply to Participants whose benefit commencement date occurs in any Plan Year beginning prior to January 1, 2002.
   (4) If the Participant's benefit payments are to commence at or after age 62 and the Participant's Social Security Retirement Age is 65, the Annual Benefit Dollar Limit will be reduced by five-ninths of one percent for each month by which benefits commence before the month in which the Participant attains age 65 or,
   (2) If the Participant's benefit payments are to commence at or after age 62 and the Participant's Social Security Retirement Age is greater than 65, the Annual Benefit Dollar Limit will be reduced by five-ninths of one percent for each of the first 36 months and five-twelfths of one percent for each of the additional months (up to 24) by which benefits commence before the month in which the Participant attains Social Security Retirement Age.
   (3) If the Participant's benefit payments are to commence prior to the month in which the Participant attains age 62, the Annual Benefit Dollar Limit shall be reduced for each month by which benefits commence prior to the date of attaining age 62, as follows. First, the limit at age 62 (the "Age 62 Limit") shall be determined pursuant to paragraph (1) or (2) above (whichever is applicable to the Participant). Second, the Age 62 Limit shall be reduced to the lesser of:
      (2) the product of (i) the Age 62 Limit, times (ii) the "implied early retirement factor" (as hereafter defined), or
      (3) the Actuarial Equivalent of the Age 62 Limit, based upon a 5% interest rate and the Applicable Mortality Table.

The "implied early retirement factor" shall mean the ratio of: (1) the early retirement reduction factor determined under Section 5.3 as applied to the Participant's age on his or her actual benefit commencement date, to (2) the early retirement reduction factor determined under Section 5.3 which would apply if the Participant elected to defer the commencement of his or her benefit to age 62.

   (4) If a Participant's benefit payments are to commence after the Participant's Social Security Retirement Age, the Annual Benefit Dollar Limit will be increased to the Actuarial Equivalent of the limit as of the Participant's Social Security Retirement Age, but the mortality factor of the Actuarial Equivalence calculation shall be ignored.

(4) The provisions of this subsection (f) shall apply to Participants whose benefit commencement date occurs in any Plan Year beginning on or after January 1, 2002.

(4) If the Participant's benefit commences prior to age 62, the Annual Benefit Dollar Limit shall be reduced to the lower of the following two amounts:

(4) the Actuarially Equivalent dollar amount that reflects the number of months by which the benefit commencement date precedes the date of attaining age 62, based on an interest rate equal to five percent (5%); or

(5) the dollar amount that reflects the applicable reduction factor that would apply under the terms of the Plan.

(5) If a Participant's benefit commencement date occurs between the date of attaining age 62 and 65, the Annual Benefit Dollar Limit shall not be adjusted on account of early commencement.

(6) If the Participant's benefit commencement date occurs after attaining age 65 under circumstances resulting in a right to receive an Actuarial adjustment in the benefit payable under the Plan, the Annual Benefit Dollar Limit shall be

increased by means of an Actuarial adjustment based on either (A) an interest rate of 5% (applied solely to the period that is subject to Actuarial adjustment under the Plan), or (B) the Actuarial adjustment factor that is applicable to the Participant's benefit under the Plan, whichever produces the lower limitation amount. When calculating the adjustment of the Annual Benefit Dollar Limit according to this paragraph, mortality shall be ignored.

(g) If the Accrued Benefit of any Participant as of the close of the last Limitation Year beginning before January 1, 1987 exceeds the benefit limitations under Code Section 415(b) then, for purposes of Code Section 415(b) (and 415(e) for periods prior to January 1, 2000) such Participant's defined benefit dollar limitation under Code Section 415(b)(1) will be equal to his or her Accrued Benefit, determined as of such date as if the Participant had separated from service on that date. For purposes of this paragraph, any changes in the terms and conditions of the Plan or cost of living adjustments occurring after May 5, 1986 will be disregarded.

(h) All defined benefit plans of the Employer, terminated or not, will be considered as one plan for purposes of the limitations specified under this Section 11.2, and all Affiliates and Subsidiaries of the Employer will be considered as one employing company.

(i) The terms of this subsection shall not apply to any benefit which commences on or after January 1, 2000. In any case in which a person is a Participant in both a defined benefit plan and a defined contribution plan maintained by any Affiliate or Subsidiary of the Company, the sum of (1) and (2) below for any Limitation Year may not exceed 1.0:

(g) The defined benefit plan fraction for such Limitation Year is equal to the quotient of (A) divided by (B) below:

(g) The Annual Benefit of the Participant under the Plan and all other defined benefit plans (determined as of the close of such Limitation Year).

(h) The lesser of 125% of the Annual Benefit Dollar Limit and 140% of the amount described in Section 11.2(b)(2).

If the Employee was a participant in one or more defined benefit plans maintained by any Affiliate or Subsidiary, which were in existence on May 5, 1986, the amount calculated in (B) will not be less than 125% of the Employee's accrued benefit under such defined benefit plans as of December 31, 1986, determined without regard to any change in the

terms or conditions of the plan made after May 5, 1986, and without regard to any cost of living adjustment occurring after May 5, 1986. The preceding sentence only applies If the defined benefit plans individually and in the aggregate satisfied the requirement of Code Section 415 as in effect on December 31, 1986.

(2) The defined contribution plan fraction for such Limitation Year is equal to the quotient of (A) divided by (B) below:

(2) The aggregate of the annual additions to the Participant's account under said defined contribution plan as of the close of such Limitation Year.

(3) The lesser of 125% of the maximum annual additions to such account for all Years of Vesting Service with the Employer, or 1.4 multiplied by

25% of the Participant's Compensation for all Years of Vesting Service with the Employer.

If the Plan satisfied the applicable requirements of Code Section 415 as in effect for the last Plan Year beginning before January 1, 1987, an amount will be subtracted from the amount calculated in (A) (but not reducing the amount in (A) to less than zero) so that the sum of the defined benefit fraction and defined contribution fraction computed under Code Section 415(e)(1) does not exceed 1.0 for such Plan Year (determined as if the changes to Code Section 415 made by the Tax Reform Act of 1986 and any technical corrections to such act were in effect for such Plan Year).

(3) If the sum of (1) and (2) exceeds 1.0, the Annual Benefit under this Plan will be limited to such amount as will reduce such sum to 1.0.

(3) Adjustments for Distribution Other than as a Straight Life Annuity.

(3) Effective for Limitation Years commencing after June 30, 2007, a retirement benefit that is payable in any form other than a straight life annuity and that is not subject to Code §417(e)(3) must be adjusted to an actuarially equivalent straight life annuity that equals the greater of the annual amount of the straight life annuity (if any) payable under the Plan at the same Annuity Starting Date, and the annual amount of a straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit computed using an interest rate of 5% and the Applicable Mortality Table.

(4) For Limitation Years commencing before July 1, 2007, a retirement benefit that is payable in any form other than a straight life annuity and that is not subject to Code §417(e)(3) must be adjusted to an actuarially equivalent straight life annuity that equals the annual amount of a straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount: (i) the interest rate and mortality table or other tabular factor specified in the Plan for adjusting benefits in the same form; and (ii) a 5% interest rate assumption and the Applicable Mortality Table.

(5) A retirement benefit that is payable in any form other than a straight life annuity and that is subject to Code §417(e)(3) must be adjusted so as to equal the actuarially equivalent straight life annuity, determined according to the Annuity Starting Date, as provided in the following rules.

(3) If the Annuity Starting Date is in a Plan Year beginning after 2005, the annual amount of the straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit using whichever of the following produces the greatest annual amount: (i) the interest rate and the mortality table or other tabular factor specified in the Plan for adjusting benefits in the same form; (ii) a 5.5% interest rate assumption and the Applicable Mortality Table; and (iii) the applicable interest rate under Code §417(e)(3) and the Applicable Mortality Table, divided by 1.05.

(B) If the Annuity Starting Date is in a Plan Year beginning in 2004 or 2005, the annual amount of the straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit using whichever of the following produces the greater annual amount: (i) the interest rate and the mortality table or other tabular factor specified in the Plan for

adjusting benefits in the same form; and (ii) a 5.5% interest rate assumption and the Applicable Mortality Table.

(C) If the Annuity Starting Date is on or after the first day of the first Plan Year beginning in 2004 and before December 31, 2004, and the Plan applies the transition rule in section 101(d)(3) of PFEA '04 in lieu of the rule in (B) above, the annual amount of the straight life annuity commencing at the same Annuity Starting Date that has the same actuarial present value as the Participant's form of benefit determined in accordance with Notice 2004-78.

(B) Adjustments for Distributions Commencing Before Age 62:

(B) if the benefit commences prior to the Participant's attainment of age 62 and if the Annuity Starting Date is in a Limitation Year beginning before July 1, 2007, the annual amount of the benefit payable in the form of a straight life annuity commencing at the Participant's Annuity Starting Date that is the actuarial equivalent of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)), with actuarial equivalence computed using which ever of the following produces the smaller annual amount:

(B) the interest rate and the mortality table or other tabular factor specified in the Plan for determining actuarial equivalence for early retirement purposes; or

(C) a 5% interest rate assumption and the Applicable Mortality Table,

(C) if the benefit commences prior to the Participant's attainment of age 62 and if the Annuity Starting Date is in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's Annuity Starting Date that is the actuarial equivalent of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)), with actuarial equivalence computed using a 5% interest rate assumption and the Applicable Mortality Table and expressing the Participant's age based on completed calendar months as of the annuity starting date.

(D) if the benefit commences prior to the Participant's attainment of age 62 and if the Annuity Starting Date is in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the lesser of

(B) the adjusted dollar limitation determined according to (2) above; and

(C) the product of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the

Plan at the Participant's Annuity Starting Date to the annual amount of the immediately commencing straight life annuity under the Plan at age 62, both determined without applying the limitations of Code §415.

(l) Adjustment When Benefit Commences After the Social Security Retirement Age.

(l) if the benefit commences after the Participant's attainment of age 65 and if the Annuity Starting Date is in a Limitation Year beginning before July 1, 2007, the annual amount of the benefit payable in the form of a straight life annuity commencing at the Participant's Annuity Starting Date that is the actuarial equivalent of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)), with actuarial equivalence computed using which ever of the following produces the smaller annual amount:

(l) the interest rate and the mortality table or other tabular factor specified in the Plan for determining actuarial equivalence for delayed retirement purposes; or

(li) a 5% interest rate assumption and the Applicable Mortality Table.

(li) if the benefit commences after the Participant's attainment of age 65 and if the Annuity Starting Date is in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's Annuity Starting Date that is the actuarial equivalent of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)),

with actuarial equivalence computed using a 5% interest rate assumption and the Applicable Mortality Table and expressing the Participant's age based on completed calendar months as of the annuity starting date.

(lii) if the benefit commences after the Participant's attainment of age 65 and if the Annuity Starting Date is in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the lesser of

(l) the adjusted dollar limitation determined according to (2) above; and

(li) the product of the dollar limitation under Code §415(b)(l)(A) (as adjusted under Code §415(d)) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's Annuity Starting Date to the annual amount of the immediately commencing straight life annuity under the Plan at age 65, both determined without applying the limitations of §415.

(li) For purposes of the foregoing subsections (j), (k) and (I) the following definitions apply:

(l) "Applicable Mortality Table" means the table described in Revenue Ruling 2001-62, or such other table applicable under Code §417(e) as may be published from time to time by the Internal Revenue Service.

(li) "Annuity Starting Date" means the first day of the month for which an amount is payable as an annuity. In the case of a benefit not payable in the

form of an annuity, the Annuity Starting Date shall be the date on which the benefit is actually paid or begins to be paid.

11.3 Additional Benefit Limits for Highly Compensated Employees.

(a) For purposes of this Section 11.3 only, the following definitions will apply:

(a) "Benefit" means benefits under the Plan and includes any annual periodic income, any withdrawal values payable to a living Employee and any death benefits not provided by insurance on the Employee's life.

(b) "Current Liabilities" is defined in Code Section 412(1)(7) provided that the Company may elect to use the value of current liabilities as reported on Schedule B of the Plan's most recent timely filed Form 5500 or Form 5500 CIR. Alternatively, the Company may determine current liabilities as of a later date.

(c) Effective January 1, 1997, "Highly Compensated Employee" means:

(a) Any Employee who performs services for an Affiliate or Subsidiary of the Employer during the determination year and who received Compensation in excess of the dollar amount stated in Code Section 414(q)(l)(B)(i) (as adjusted by the Secretary or the Treasury) during the lookback year (for example, the said adjusted amount shall be $85,000 for the 2001 look-back year and $90,000 for the 2002 look-back year). Provided, however, that, for Plan Years 1998 and thereafter, such an Employee shall not be, considered a Highly Compensated Employee unless he or she has Compensation from the Employer during the lookback year that causes him or her to be among the highest paid 20% of the Employees of the Employer for a year in which the 20% limitation is in effect under the defined contribution plans maintained by the Employer.

(b) Any Employee who is a 5% owner (as defined in code Section 416(i)(I)(B)(i)) of the Employer at any time during the look -back year or the determination year.

(c) For purposes of this Section, the following definitions apply. The determination year is the Plan Year. The look-back year is the 12- month period immediately preceding the determination year.

(d) "Highly Compensated Former Employee" means any former Employee who was a Highly Compensated Employee for a separation year (as defined in Treasury Regulation Section 1.414(q)-IT) or for any determination year ending on or after the Employee attains age 55, as provided by Code Section 414 (q)(9) and the regulations thereunder.

(e) "Restricted Amount" is the excess of the accumulated amount of distributions to a Restricted Employee over the accumulated amount of the payments that would have been paid under:

(a) a straight life annuity that is the actuarial equivalent of the Restricted Employee's Benefit (other than a social security supplement), plus

(B) the amount of the payments that the Restricted Employee is entitled to receive under a social security supplement.

For this purpose, an "accumulated amount" is the amount of a payment increased by a reasonable amount of interest from the date the payment was made (or would have been made) until the date for the determination of the Restricted Amount.

(6) "Restricted Employee" for any Plan Year means one of the 25 Highly Compensated Employees or Highly Compensated Former Employees with the greatest compensation.

(6) In the event the Plan is terminated, the Benefit payable to any Highly Compensated Employee and any Highly Compensated Former Employee will be limited to a benefit which is nondiscriminatory under Code Section 401 (a)(4).

(7) Prior to Plan termination, the annual payment to a Restricted Employee under the Plan will be limited to an amount equal to the annual payment that would have been paid under a straight life annuity that is the actuarial equivalent to the Restricted Employee's Benefit (not including any social security supplement) plus the amount of any social security supplement payments the Restricted Employee is entitled to receive.

(8) Subsection (c) above will not apply if:

(6) payment of all Benefits to the Restricted Employee, the value of Plan assets is 110% or more of the value of Current Liabilities,

(7) the value of Benefits payable to the Restricted Employee is less than one percent of the value of Current Liabilities, or

(8) the present value of the Benefits payable to the Restricted Employee is $5,000 or less, or

(9) upon receipt of a distribution from the Plan, the Restricted Employee deposits in escrow property having a fair market value equal to at least 125% of the Restricted Amount or, alternatively, posts a bond or letter of credit in an amount equal to at least 100% of the Restricted Amount.

11.4 Top-Heavy Provisions.

(a) Top-Heavy Plan. Notwithstanding any other provision of this Plan to the contrary, this Section will apply if the Plan is a Top-Heavy Plan for any Plan Year after December 31, 2001. For Plan Years prior to that date the provisions of the Prior Plan will apply.

The Plan will be a Top-Heavy Plan if, as of the Determination Date, the present value of the cumulative accrued benefits of Key Employees exceeds sixty percent of the present value of the cumulative accrued benefits under the Plan of all Participants and Beneficiaries (but excluding the value of the accrued benefits of former Key Employees and individuals who have not performed any services for the Company during the one year period ending on the Determination Date), This percentage will be computed in accordance with Code §416(g).

In determining whether this Plan is a Top-Heavy Plan, all employers that are aggregated under Code §§414(b), (c) and (m) will be treated as a single employer. In addition, all plans that are part of the Aggregation Group will be treated as a single plan. In determining present values, mortality will be based on the 1984 Unisex Pension Mortality Table and the interest rate utilized will be five percent.

(b) Definition of Terms. For purposes of this Section 11.4 only, the following terms will have the following meanings:

(b) "Aggregation Group" means the Required Aggregation Group or, at the election of the Company, the Permissive Aggregation Group.

(c) "Average Compensation" means the Participant's Compensation averaged over the five consecutive Plan Years in which the Participant earned a Year of Vesting Service (if such Year of Vesting Service is not disregarded pursuant to subsection (d) below) and in which the Participant's aggregate Compensation was the greatest. If the Participant received Compensation in fewer than five such Plan Years, his or her Compensation will be averaged over such lesser number of Plan Years.

(d) "Compensation" shall be as defined in Section 1.15, subject to the limitations imposed by Code §401(a)(l7), as amended by law and as adjusted by the Secretary of the Treasury.

(e) "Determination Date" means the last day of the preceding Plan Year. This date will also be the valuation date for determining present values.

(f) “Key Employee” means an Employee or former Employee (and, in the case of a deceased former Employee, his or her Beneficiary under the Plan) where the Employee or former Employee, during the Plan Year containing the Determination Date, is either:

(b) an officer of the Employer whose annual Compensation from the Employer exceeds $130,000 (adjusted in the manner stated in Code §416(i), provided that no more than 50 Employees shall be considered officers;

(c) a five-percent owner of the Employer (as defined above); or

(d) a one-percent owner of the Employer (as defined above) whose annual Compensation from the Employer exceeds $150,000.

For purposes of paragraphs (B) and (C) above, an Employee will be deemed to own stock held for his or her benefit by a partnership, estate, trust or corporation to the extent provided under Code §318(a)(2), but subparagraph (C) of that Code Section shall be applied by substituting 5% instead of 50%.

(6) “Non-key Employee” means an Employee (and any Beneficiary of an Employee) who is not a Key Employee.

(7) “Permissive Aggregation Group” means the Required Aggregation Group of plans plus any other plan or plans of the Company which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code §§401(a)(4) and 410.

(8) “Required Aggregation Group” means:

(8) Each stock bonus, pension, or profit sharing plan of the Employer in which a Key Employee participates in the Plan Year containing the Determination Date which is intended to qualify under Code §401(a); and

(9) Each other such stock bonus, pension or profit sharing plan of an employer which enables any plan in which a Key Employee participates to meet the requirements of Code §§401(a)(4) or 410.

(9) “Top-Heavy Group” means the Aggregation Group if the sum of (A) and (B) below exceeds 60% of a similar sum determined for all Employees (excluding former Key Employees and individuals who have not performed any services for the Employer during the one year period ending on the Determination Date):

(8) The present value of the cumulative accrued benefit for Key Employees under all defined benefit plans included in such group.

(9) The aggregate of the accounts of Key Employees under all defined contribution plans included in such group.

In a Top-Heavy Group, all plans in the Required Aggregation Group are Top-Heavy regardless of whether or not the individual plans are Top-Heavy.

(c) Modification of Vesting Schedule. If the Plan is a Top-Heavy Plan in a Plan Year, a Participant who is credited with an Hour of Service in such Plan Year will have his or her Vested Percentage for Accrued Benefit Attributable to Company Contributions determined in accordance with the following schedule if it produces a higher Vested Percentage than the schedule in Section 6.1.

Years of Vesting Service		Vested Percentage
Less than 2		—%
	2	20%
	3	40%
	4	60%
	5	80%
6 or more		100%

Effective for Plan Years commencing after December 31, 2007, the vesting schedule in Section 6.1(e) shall always apply.

A Participant’s vested Accrued Benefit Attributable to Company Contributions will not be less than that determined as of the last day of the last Plan Year in which the Plan was a Top-Heavy Plan.

If the Plan ceases to be Top-Heavy, each Participant with three or more Years of Vesting Service (determined as of the first day of the Plan Year in which the Plan ceases to be Top- Heavy) will continue to have his or her Vested Percentage for Accrued Benefit Attributable to Company Contributions determined in accordance with this subsection (c).

(d) Minimum Benefit. If the Plan is Top-Heavy in a Plan Year, the Accrued Benefit as of the last day of such Plan Year for any Participant who is not a Key Employee, but who is employed or on an Authorized Period of Absence in such Plan Year, will not

be less than the Actuarial Equivalent of an annual benefit payable in the form of a straight life annuity beginning on the Participant's Normal Retirement Date equal to the lesser of (i) two percent of the Participant's Average Compensation multiplied by Years of Vesting Service or (ii) twenty percent of the Participant's Average Compensation. For purposes of this subsection (d), any Years of Vesting Service will be disregarded if:

(1) the Plan was not a Top-Heavy Plan for any Plan Year ending during such Years of Vesting Service, or
(2) such Year of Vesting Service ended in a Plan Year beginning before January 1, 1984.

A Participant's Accrued Benefit as of any subsequent date will not be less than that determined as of the last day of the Plan Year in which the Plan was a Top-Heavy Plan.

(3) Collective Bargaining Agreements The provisions of subsections (c) and (d) shall not apply to any Employee included in a group of Employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers, including the Employer, if there is evidence that retirement benefits were the subject of good faith bargaining between such employee representatives and such empioyer(s).

11.5 Benefit Restrictions Due to Application of Code §436. Effective for Plan Years commencing after December 31, 2007, this Section shall take precedence over any contrary Plan provisions.

Application. This Section shall apply so long as the Plan is not a multi-employer plan within the meaning of Code §414(f) and is not maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers, For purposes of this subsection, the term Plan shall include any predecessor plan. To the extent required the provisions of Code §436 and all regulations thereunder are incorporated herein by reference. If the Plan has a valuation date other than the first day of the Plan Year, the provisions of Code §436 and this Section will applied in accordance with regulations.

(a) Funding-Based Limitation on Shutdown Benefits and Other Unpredictable Contingent Event Benefits.
   (a) In general. If a Participant is entitled to an "unpredictable contingent event benefit" payable with respect to any event occurring during any Plan Year, then the benefit may not be provided if the "adjusted funding target attainment percentage" for the Plan Year
      (a) is less than 60% or
      (b) would be less than 60% taking into account the occurrence.

(b) Exemption. Paragraph (1) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Employer of a contribution (in addition to any minimum required contribution under Code Section 430) equal to:

(A) in the case of (b)(1)(A) above, the amount of the increase in the funding target of the Plan (under Code §430) for the Plan Year attributable to the occurrence referred to in paragraph (1), and

(B) in the case of (b)(1)(B) above, the amount sufficient to result in an "adjusted funding target attainment percentage" of 60%.

(A) Unpredictable contingent event benefit. For purposes of this subsection, the term "unpredictable contingent event benefit" means any benefit payable solely by reason of:

(A) a plant shutdown (or similar event, as determined by the Secretary of the Treasury), or

(B) an event other than the attainment of any age, performance of any service, receipt or derivation of any compensation, or occurrence of death or disability.

(A) Limitations on Plan Amendments Increasing Liability for Benefits.

(A) In general. No amendment that has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable may take effect during any Plan Year if the adjusted funding target attainment percentage for the Plan Year is:

(A) less than 80% or

(B) would be less than 80% taking into account the amendment.

(B) Exemption. Paragraph (c)(1) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year (or if later, the effective date of the amendment), upon payment by the Employer of a contribution (in addition to any minimum required contribution under Code §430) equal to:

(A) in the case of paragraph (c)(1)(A) above, the amount of the increase in the funding target of the Plan (under Code §430) for the Plan Year attributable to the amendment, and

(B) in the case of paragraph (c)(1)(B) above, the amount sufficient to result in an adjusted funding target attainment percentage of 80%.

(C) Exception for certain benefit increases. Paragraph (c)(1) shall not apply to any amendment that provides for an increase in benefits under a formula that is not based on a Participant's Compensation, but only if the rate of such increase is not in excess of the contemporaneous rate of increase in average wages of Participants covered by the amendment.

(B) Limitations on Accelerated Benefit Distributions.

(A) Funding percentage less than 60%. If the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60%, then the Plan may not pay any "prohibited payment" after the valuation date for the Plan Year.

(B) Bankruptcy. During any period in which the Employer is a debtor in a case under Title 11 of the United States Code, or similar Federal or State law, the

Plan may not pay any "prohibited payment," The preceding sentence shall not apply on or after the date on which the enrolled actuary of the Plan certifies that the adjusted funding target attainment percentage of the Plan is not less than 100%.

(3) Limited payment if percentage at least 60% but less than 80% percent.

(3) In general. If the Plan's adjusted funding target attainment percentage for a Plan Year is 60% or greater but less than 80%, then the Plan may not pay any "prohibited payment" after the valuation date for the Plan Year to the extent the amount of the payment exceeds the lesser of:

(3) fifty percent (50%) of the amount of the payment that could be made without regard to this subsection, or
(4) the present value (determined under guidance prescribed by the Pension Benefit Guaranty Corporation, using the interest and mortality assumptions under Code §417(e)) of the maximum guarantee with respect to the participant under ERISA §4022.

(3) One-time application.

(5) In general. Only one "prohibited payment" meeting the requirements of subparagraph (A) may be made with respect to any Participant during any period of consecutive Plan Years to which the limitations under either paragraph (1) or (2) or this paragraph applies.
(6) Treatment of beneficiaries. For purposes of this subparagraph, a Participant and any Beneficiary (including an alternate payee, as defined in Code §414(p)(8)) shall be treated as one Participant. If the Accrued Benefit of a Participant is allocated to an alternate payee and one or more other persons, the amount under subparagraph (A) shall be allocated among those persons in the same manner as the Accrued Benefit is allocated unless the qualified domestic relations order (as defined in Code §414(p)(1)(A)) provides otherwise.

(3) Exception. This subsection shall not apply for any Plan Year if the terms of the Plan (as in effect for the period beginning on September 1, 2005 and ending with such Plan Year) provide for no benefit accruals with respect to any Participant during such period.
(4) "Prohibited payment." For purposes of this subsection, the term "prohibited payment" means:

(3) any payment in excess of the monthly amount paid under a single life annuity (plus any Social Security supplements described in the last sentence of Code §411(a)(9)) to a Participant or Beneficiary whose Annuity Starting Date occurs during any period a limitation under paragraph (d)(1) or (2) is in effect,
(4) any payment for the purchase of an irrevocable commitment from an insurer to pay benefits, and
(C) any other payment specified by the Secretary by Regulations.

"Prohibited payment" shall not include the payment of a benefit that under Code §411(a)(11) may be immediately distributed without the consent of the Participant.

(d) Limitation on Benefit Accruals for Plans with Severe Funding Shortfalls.

(d) In general. If the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60%, benefit accruals under the Plan shall cease as of the valuation date for the Plan Year.
(di) Exemption. Paragraph (e)(1) shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Employer of a contribution (in addition to any minimum required contribution under Code §430) equal to the amount sufficient to result in an adjusted funding target attainment percentage of 60%.
(dii) Temporary modification of limitation. In the case of the first Plan Year beginning during the period beginning on October 1 ,2008, and ending on September 30, 2009, the provisions of (e)(1) above shall be applied by substituting the Plan's adjusted funding target attainment percentage for the preceding Plan Year for the percentage for the Plan Year, but only if the adjusted funding target attainment percentage for the preceding year is greater.

(di) Rules Relating to Contributions Required to Avoid Benefit Limitations.

(d) Security may be provided:

(d) In general. For purposes of this section, the adjusted funding target attainment percentage shall be determined by treating as an asset of the Plan any security provided by the Employer in a form meeting the requirements of subparagraph (B).
(di) Form of security. The security required under subparagraph (A) shall consist of:

(d) a bond issued by a corporate surety company that is an acceptable surety for purposes of ERISA §412,
(di) cash or United States obligations that mature in three years or fewer, held in escrow by a bank or similar financial institution, or
(dii) such other form of security as is satisfactory to the Secretary and the parties involved.

(d) Enforcement. Any security provided under subparagraph (A) may be perfected and enforced at any time after the earlier of:

(diii) the date on which the Plan terminates;
(div) if there is a failure to make a payment of the minimum required contribution for any Plan Year beginning after the security is provided, the due date for the payment under Code §430(j); or
(iii) if the adjusted funding target attainment percentage is less than 60% for seven consecutive years, the valuation date for the last year in the period.

(iii) Release of security. The security shall be released (and any amounts thereunder shall be refunded together with any interest accrued thereon) at such time as the Secretary may prescribe in Regulations, including Regulations for partial releases of the security by reason of increases in the adjusted funding target attainment percentage.

(iii) Pre-funding balance or funding standard carryover balance may not be used. No pre-funding balance or funding standard carryover balance under Code §430(f) may be used under subsection (b), (c), or (e) to satisfy any payment an Employer may make under any such subsection to avoid or terminate the application of any limitation under such subsection.
(iv) Deemed reduction of funding balances:

(iii) In general. Subject to subparagraph (B), in any case in which a benefit limitation under subsection (b), (c), (d), or (e) would (but for this subparagraph and determined without regard to subsection (b)(2), (c)(2), or (e)(2)) apply to the Plan for the Plan Year, the Employer shall be treated for purposes of this Section 19.5 as having made an election under Code §430(f) to reduce the pre-funding balance or funding standard carryover balance by the amount necessary for the benefit limitation not to apply to the Plan for the Plan Year.
(iv) Exception for insufficient funding balances. Subparagraph (A) shall not apply with respect to a benefit limitation for any Plan Year if the application of subparagraph (A) would not result in the benefit limitation not applying for such Plan Year.

(iii) Presumed Underfunding for Purposes of Benefit Limitations.

(iii) Presumption of continued underfunding. In any case in which a benefit limitation under subsection (b), (c), (d), or (e) has been applied to a Plan with respect to the Plan Year preceding the current Plan Year, the adjusted funding target attainment percentage of the Plan for the current Plan Year shall be presumed to be equal to the adjusted funding target attainment percentage of the Plan for the preceding Plan Year until the enrolled actuary of the Plan certifies the actual adjusted funding target attainment percentage of the Plan for the current Plan Year.
(iv) Presumption of underfunding after 10th month. In any case in which no certification of the adjusted funding target attainment percentage for the current Plan Year is made with respect to the Plan before the first day of the 10th month of such year, for purposes of subsections (b), (c), (d), and (e), such first day shall be deemed, for purposes of such subsection, to be the valuation date of the Plan for the current Plan Year and the Plan's adjusted funding target attainment percentage shall be conclusively presumed to be less than 60% as of the first day.
(v) Presumption of underfunding after 4th month for nearly underfunded plans. In any case in which:

(A) a benefit limitation under subsection (b), (c), (d), or (e) did not apply to a Plan with respect to the Plan Year preceding the current Plan Year, but the adjusted funding target attainment percentage of the Plan for the preceding Plan Year was not more than 10 percentage points greater than the percentage that would have caused the subsection to apply to the Plan with respect to the preceding Plan Year, and
(B) as of the first day of the 4th month of the current Plan Year, the enrolled actuary of the Plan has not certified the actual adjusted funding target attainment percentage of the Plan for the current Plan Year, until the enrolled actuary so certifies, the first day shall be deemed, for purposes of the subsection, to be the valuation date of the Plan for the current Plan Year and the adjusted funding target attainment percentage of the Plan as of such first day shall, for purposes of the subsection, be presumed to be equal to 10 percentage points less than the adjusted funding target attainment percentage of the Plan for the preceding Plan Year.

(A) Treatment of Plan as of Close of Prohibited or Cessation Period. Payments and accruals will resume effective as of the day following the close of the period for which any limitation of payment or accrual of benefits under subsection (d) or (e) applies. Nothing in this subsection shall be construed as affecting the Plan's treatment of benefits that would have been paid or accrued but for this Section 19.5.
(B) Definitions.

(A) “Funding target attainment percentage” shall have the same meaning given that term by Code §430(d)(2), except as otherwise provided herein. However, in the case of Plan Years beginning in 2008, the funding target attainment percentage for the preceding Plan Year may be determined using such methods of estimation as the Secretary may provide.

(B) “Adjusted funding target attainment percentage” means the funding target attainment percentage that is determined under paragraph (1) by increasing each of the amounts under subparagraphs (A) and (B) of Code §430(d)(2) by the aggregate amount of purchases of annuities for employees other than Highly Compensated Employees that were made by the Plan during the preceding two Plan Years.

(C) Application to plans that are fully funded without regard to reductions for funding balances.

(A) In general. If in any Plan Year the funding target attainment percentage is 100% or more (determined and without regard to the reduction in the value of assets under Code §430(f)(4)), the funding target attainment percentage for purposes of paragraphs (1) and (2) shall be determined without regard to the reduction.

(B) Transition rule. Subparagraph (A) shall be applied to Plan Years beginning after 2007 and before 2011 by substituting for 100% the applicable percentage determined in accordance with the following table:

In the case of Plan Year		The applicable percentage is:
	2,008	92%
	2,009	94%
	2,010	96%

(C) Subparagraph (B) shall not apply with respect to any Plan Year beginning after 2008 unless the funding target attainment percentage (determined without regard to the reduction in the value of assets under Code §430(f)(4)) of the Plan for each preceding Plan Year beginning after 2007 was not less than the applicable percentage with respect to such preceding Plan Year determined under subparagraph (B).

ARTICLE XII
ADMINISTRATION OF THE PLAN

12.1 Administration.

(a) The Retirement Committee (“Committee”) will consist of three or more individuals who will be appointed by the Board of Directors of Zions. The Committee will serve as Plan “administrator” (as that term is defined by ERISA). The Committee will have complete control of the administration of the Plan, subject to the provisions hereof, with all powers necessary to enable it to carry out its duties properly in that respect. Not in limitation, but in amplification of the foregoing, it will have the power to interpret the Plan and to determine all questions that may arise hereunder, including all questions relating to the eligibility of Employees to participate in the Plan and the amount of benefit to which any Participant or Beneficiary may become entitled. Its decisions upon all matters within the scope of its authority will be final.

(b) The Committee will establish rules and procedures to be followed by Participants and Beneficiaries in filing applications for benefits, in furnishing and verifying proofs necessary to determine age or marital status, and in any other matters required to administer the Plan.

(c) The Committee will receive all applications for benefits and will determine all facts necessary to establish the right of the applicant to benefits under the provisions of the Plan and the amount thereof.

(d) The Committee will maintain accounts showing the fiscal transactions of the Plan, and will keep data required for the valuation of the assets and liabilities of the Plan. The Committee will also prepare an annual report showing in reasonable detail the assets and liabilities of the Plan and giving a brief account of the operation of the Plan for each year. The Committee will make the annual report available to each Participant as required by law.

(e) The Committee will appoint an enrolled actuary to make actuarial valuations of the liabilities of the Plan, to recommend the amount of contributions to be made by the Company and to perform such other services as the Committee will deem necessary or desirable in connection with the administration of the Plan. The Committee may

also appoint such accountants, counsel, consultants and other persons the Committee deems necessary or desirable in connection with the administration of the Plan.

(f) The Committee will have the power to appoint or remove any Investment Manager or Managers and to manage (including the power to acquire and dispose of) a.”1yassets of the Plan.

(g) The Committee will have the power to appoint or remove the Trustee.

(h) The Committee will be entitled to rely upon all tables, valuations, certificates and reports furnished by the accountant, consultant, administrator or actuary appointed by the Committee and upon all opinions given by any counsel selected or approved by it.

12.2 Records. All acts and determinations of the Committee and the Company regarding this Plan will be duly recorded and all such records, together with such other documents as may be necessary for the administration of the Plan, will be preserved in the custody of the Committee (or a designee appointed by the Committee).

12.3 Payment of Expenses. All expenses that arise in connection with the administration of the Plan, including, but not limited to, the compensation of any enrolled actuary, accountant, legal counsel, consultant or other person who will be employed by the Committee in connection with the administration thereof, may, to the extent that it is lawful to do so under ERISA, be paid from the assets of the Plan.

12.4 Delegation of Authority. The administrative duties and responsibilities set forth in Section 12.1 may be delegated by the Committee in whatever manner and extent it chooses to such person or persons as it selects. It will notify Zions and the Trustee of the authority conferred upon such person or persons.

12.5 Information Available. Any Participant in the Plan or any Beneficiary receiving benefits under the Plan may examine copies of the summary plan description, latest annual report, any bargaining agreement, the Plan document, the Trust Agreement or any other governing instruments u:nder which the Plan is operated. The Committee will maintain all of these items in its office, or in such other place or places as it may designate from time to time for examination during reasonable business hours. Upon the written request of a Participant or Beneficiary receiving benefits under the Plan, the Committee will furnish a copy of any item listed in this Section. The Committee may make a reasonable charge to the requesting person for the copy furnished.

12.6 Claims and Appeals Procedure.

(a) The Committee will adopt procedures for the resolving of claims for benefits and for the appeal and review of the denial of such claims by the Committee. Detailed information regarding such procedures may be obtained by writing to the Retirement Committee.

(b) Each claim for benefits will be decided by one or more persons, a committee or other claims administrator designated by the Committee (such designated party is referred to in this Section as the "Claims Administrator"). The Claims Administrator will give the claimant written notice of the disposition of a claim within 90 days after the claim has been filed, unless special circumstances require an extension of time for processing, in which case such notice of disposition shall be given within 180 days after the application has been filed. If a claim is denied in whole or in part, the Claims Administrator shall give the claimant a written explanation of the reasons for the denial.

(c) A claimant wishing a review of a denied claim may submit an appeal in writing in a manner acceptable to the "Appeals Administrator", which shall be the Committee or a person, committee or other administrator designated by the Committee, The deadline for submitting any such appeal to the Appeals Administrator shall be 60 days after receipt of the written notification of the denial of the claim, as described above.

(d) Within 60 days following the receipt of the notice of appeal, the Appeals Administrator will give the claimant either (i) a written notice of the decision of the Appeals Administrator, or (ii) if special circumstances require an extension of time for review, a notice of a 60-day extension of the review period. In the latter case, the notice of the decision of the Appeals Administrator shall be delivered to the claimant within 120 days after the appeal has been delivered by the claimant. Effective January 1, 2002, the one or more individuals who act as Appeals Administrator and who decide the appeal shall not include any person who decided the initial claim,

but a person who decided the initial claim may participate in the discussion of the appeal.

(e) The Plan hereby delegates full and complete discretion to the Claims Administrator and the Appeals Administrator;

  (e) to make findings of fact pertaining to a claim or appeal;

  (f) to interpret the Plan as applied to the facts; and

  (g) to decide all aspects of the claim or appeal.

(f) The decision of the Appeals Administrator upon such a review of a denied claim, (or, If the claimant fails to submit a timely appeal to the Appeals Administrator, the decision of the Claims Administrator) will be final, subject to any remedies which may be provided by law.

12.7 Fiduciary Capacity. Any person may serve in more than one fiduciary capacity with respect to this Plan.

12.8 Committee Liability. The members of the Committee will use ordinary care and diligence in the performance of their duties, but no member will be personally liable by virtue of any contract, agreement, or other instrument made or executed as a member of the Committee, nor for any mistake of judgment made by him or her or by any other member, nor for any loss unless resulting from willful misconduct or failure to exercise good faith. No member of the Committee will be liable for the neglect, omission, or wrongdoing of any other member or of the agents or counsel of the Committee. Zions will indemnify (or cause one or more of the participating Companies to indemnify) each member of the Committee against, and hold him or her harmless from any and all expenses and liabilities arising out of any act or omission to act as a member of the Committee, except such liabilities and expenses as are due to willful misconduct or failure to exercise good faith.

12.9 Limitations of Actions on Claims. The delivery to the claimant of the final decision of the Plan Administrator with respect to a claim for benefits under Section 12.6 that has been reviewed and considered under the appeal procedures of that section shall commence the period during which the claimant may bring legal action under ERISA for judicial review of the Appeals Administrator's decision. No civil action with respect to the claim for benefits or the subject matter thereof may be commenced by the claimant, whether such action is pursued through litigation, arbitration or otherwise, prior to the completion of the claims and claims review process set forth in Section 12.6, nor following the expiration of two years from the date of delivery of the final decision of the Appeals Administrator to the claimant.

ARTICLE XIII
GENERAL PROVISIONS

13.1 Amendment of Plan.

(a) Zions may amend the Plan at any time. In addition to the authority to amend the Plan in other respects, Zions shall furthermore have the authority to adopt any remedial retroactive changes to comply with the requirements of any law or regulation issued by any governmental agency to which the Plan is subject. No amendment will diminish or adversely affect any accrued interest or benefit of Participants or their Beneficiaries, except as may be required to comply with the requirements of any law or regulation issued by any governmental agency to which the Company is subject.

(b) If any amendment to the Plan changes the vesting schedule, each Participant who is an Employee with at least three Years of Vesting Service may elect to remain under the vesting schedule of the Plan prior to such amendment. If the Participant does not make the election within a reasonable time (as may be determined pursuant to governmental regulations from time to time), such Participant will be subject to the vesting schedule under the Plan as amended. In no event will the vesting percentage of the Participant's Accrued Benefit be reduced below the percentage attained by the Participant prior to such amendment.

(c) In no event will a Participant who terminates or retires on or after the date any amendment to the Plan is effective receive less than his or her vested percentage multiplied by the Accrued Benefit prior to such date. This amount will be adjusted for the date of retirement and form of payment on the basis in effect prior to such amendment. This paragraph (c) shall not apply to the amendment to the basis for determining the Actuarial Equivalent value for purposes of Section 5.8 effective June 1, 1995.

(d) If any amendment to the Plan eliminates an optional form of payment, a Participant may continue to elect such form of payment with respect to any Accrued Benefit earned prior to the effective date of such amendment.

13.2 Employment Status. Nothing contained in the Plan will be deemed to give any Employee the right to be retained in the employ of the Employer or to interfere with the rights of the Employer to discharge any Employee at any time.

13.3 Mergers or Consolidations. If this Plan merges or consolidates with, or transfers its assets or liabilities to any other qualified plan of deferred compensation, no Participant will, as a result of such merger, consolidation or transfer, be entitled to a benefit on the day following such event which is less than the benefit to which he or she is entitled on the day preceding such event. For purposes of this Section, the benefit to which a Participant is entitled will be calculated based upon the assumption that a Plan termination and distribution of assets occurred on the day as of which the Participant's entitlement is being determined.

13.4 Provision Against Anticipation. No benefit under the Plan will be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge or other legal process, and any attempt to do so will be void. The preceding sentence will not apply to a Qualified Domestic Relations Order pursuant to Code Section 414(P).

13.5 Facility of Payment. If any Participant or Beneficiary is physically or mentally incapable of giving a valid receipt for any payment due him and no legal representative has been

appointed for such Participant or Beneficiary, the Committee may direct the Trustee to make such payment to any person or institution maintaining such Participant or Beneficiary and the release of such person or institution will be a valid and complete discharge for such payment. Any final payment or distribution to any Participant, the legal representative of the Participant, or to any Beneficiaries of such Participant in accordance with the provisions herein will be in full satisfaction of all claims against the Plan, the Committee, the Trustee and the Company arising under or by virtue of the Plan.

13.6 Construction. The validity of the Plan or any of its provisions will be determined under and will be construed according to federal law and, to the extent permissible, according to the laws of the State of Utah. If any provision of the Plan is held illegal or invalid for any reason, such determination will not affect the remaining provisions of the Plan and the Plan will be construed and enforced as if said illegal or invalid provision had never been included.

13.7 Legal Actions. The Committee will be the necessary party to any action or proceeding involving the assets held with respect to the Plan or the administration thereof. No Employee, Participant, former Participant or their Beneficiaries, or any other person having or claiming to have an interest in the Plan will be entitled to any notice or process. Any final judgment that may be entered in any such action or proceeding will be binding and conclusive on all persons having or claiming to have any interest in the Plan.

SIGNATURE PAGE

This Zions Bancorporation Pension Plan, as restated effective as of January 1,2002, is hereby approved this 30th day of November, 2010, at Salt Lake City, Utah.

ZIONS BANCORPORATION

By:	/s/ Diana M. Andersen
Name:	Diana M. Andersen
Title:	SVP & Dir. of Corp. Benefits

APPENDIX I:
FACTORS FOR SPOUSE OPTION UNDER SECTION 5.7(A)

A Participant retiring at any age with a benefit in the form of a Spouse Option (as described in Section 5.7(a) will have the following factors applied to his or her Accrued Benefit.

	Joint & Survivor Option		
	50%	75%	100%
Spouse same age as Employee	0.880	0.835	0.790
For each year the Spouse is younger than the Employee subtract	0.005	0.0065	0.008
For each year the Spouse is older than the Employee add	0.005	0.0065	0.008

The Maximum adjustment for age differential is limited to 20 years

APPENDEX II:
ACTUARIAL EQUIVALENCE FOR MONTHLY BENEFITS AND LUMP SUMS

For the purpose of computing the annuity value of a Participant's cash balance account, the annuity value of a Participant's Old Plan Account, and lump sums:

(a) The mortality assumption is the "Applicable Mortality Table" (as defined below) which is prescribed from time to time by the Secretary of the Treasury under Code Section 417(e)(3).

(b) For benefit commencement dates on and after June 1, 1995 and prior to December 31, 2002, the "Applicable Mortality Table" shall mean the applicable mortality table prescribed by the Secretary of the Treasury in Rev. Rul. 95-6, which is the 1983 Group Annuity Mortality Table, weighted 50% male and 50% female (commonly referred to as "GAM 83").

(c) For benefit commencement dates on and after December 31, 2002, the "Applicable Mortality Table" shall mean the applicable mortality table prescribed by the Secretary of the Treasury in Rev. Rul. 2001-62,

(d) The interest assumption shall be the "Applicable Interest Rate", which shall be the average annual yield on 30-year U.S. Treasury constant maturities, as shown in the Federal Reserve Statistical Release H.15 for the reference month. The reference month shall be the month of -November of the calendar year prior to the Plan Year in which the lump sum is paid or the monthly benefit commences,

(e) In no event shall such lump sum be less than the present value as of December 31, 1985 of a Participant's Accrued Benefit as of December 31, 1985 on the basis of the following actuarial factors used prior to December 31, 1985 for purposes of valuing a deferred annuity of $1 per year commencing at age 65 and payable in monthly installments:

Age	Factor	Age	Factor
32	0.6404	49	2.4180
33	0.6920	50	2.6182
34	0.7479	51	2.8357
35	0,8082	52	3.0721
36	0.8735	53	3.3292
37	0.9441	54	3.6090
38	1.0205	55	3.9138
39	1.1031	56	4.2458
40	1.1925	57	4.6080
41	1.2892	58	5.0034
42	1.3939	59	5.4356
43	1.5073	60	5.9088
44	1.6301	61	6.4279
45	1.7632	62	6.9983
46	1.9075	63	7.6261
47	2.0639	64	8.3184
48	2.2337	65	9.0836

(d) The minimum value of a lump sum distribution to a Grossmont Participant who retires between January 1,1998 and December 31, 1998 shall be determined under subsections (a) and (1) above, except that the annual rate of interest on 30- year Treasury securities described in subsection (1) shall be determined as of December 1997.

REVISED ACTUARIAL EQUIVALENCE PROVISIONS RESULTING FROM THE
PENSION FUNDING EQUITY ACT AND SUBSEQUENT LEGISLATION

2.1 General Rules.

(a) Effective date. These revised provisions reflect certain provisions of the Pension Funding Equity Act of 2004 (PFEA), as modified by the Pension Protection Act of 2006 and the Worker, Retiree and Employer Recovery Act of 2008. Unless otherwise provided herein, all required determinations of actuarial equivalence for forms of benefit other than a straight life annuity shall be made in accordance with these revised provisions effective for distributions in Plan Years beginning after December 31, 2003, Nevertheless, these provisions do not supersede any prior election to apply the transition rule of section 101(d)(3) of PFEA as described in Notice 2004-78,

(b) "Applicable Mortality Table" for purposes of these revised provisions shall mean the applicable mortality table within the meaning of Code §417(e)(3)(B).

2.2 Benefit Forms Not Subject to the Present Value Rules of Code §417(e)(3).

(a) Form of benefit. The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this Section 2.2 if the form of the Participant's benefit is either:

- (a) A non-decreasing annuity (other than a straight life annuity) payable for a period of not less than the life of the Participant (or, in the case of a qualified pre-retirement survivor annuity, the life of the surviving spouse), or
- (b) An annuity that decreases during the life of the Participant merely because of:
  - (a) The death of the survivor annuitant (but only if the reduction is not below 50% of the benefit payable before the death of the survivor annuitant), or
  - (b) The cessation or reduction of Social Security supplements or qualified disability payments (as defined in Code §401(a)(11)).

(b) Limitation Years beginning before July 1, 2007. For Limitation Years beginning before July 1, 2007, the actuarially equivalent straight life annuity is equal to the

annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount:

(1) the interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; and

(2) a 5 percent interest rate assumption and the "applicable mortality table" defined in the Plan for that annuity starting date,

(1) Limitation Years beginning on or after July 1, 2007. For Limitation Years beginning on or after July 1, 2007, the actuarially equivalent straight life annuity is equal to the greater of:

(1) The annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date as the Participant's form of benefit; and

(2) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5 percent interest rate assumption and the applicable mortality table defined in the Plan for that annuity starting date.

2.3 Benefit Forms Subject to the Present Value Rules of Code Section 417(e)(3).

(a) Form of benefit. The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined as indicated under this Section 2.3 if the form of the Participant's benefit is other than a benefit form described in Section 2.2(a).

(b) Annuity Starting Date in Plan Years Beginning After 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning after December 31, 2005, the actuarially equivalent straight life annuity is equal to the greatest of:

(a) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form;

(b) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using a 5.5 percent interest rate assumption and the applicable mortality table for the distribution under Treasury Regulations Section 1.417(e)-l(d)(2) (determined in accordance with Article XIV for Plan Years after the effective date of that Article); and

(c) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed for the distribution under Treasury Regulations Section 1.417(e)-1(d)(3) (but determined according to the assumptions in Section 2.4 after the effective date thereof) and the applicable mortality table for the distribution under Treasury Regulations Section 1.41

7(e)-1(d)(2) (determined according to the assumptions in Section 2,4 after the effective date thereof), divided by 1.05.

(c) Annuity Starting Date in Plan Years Beginning in 2004 or 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning in 2004 or 2005, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount:

(c) The interest rate and the mortality table (or other tabular factor) specified in the Plan for adjusting benefits in the same form; and

(ci) A 5.5 percent interest rate assumption and the applicable mortality table for the distribution under Treasury Regulations Section 1.417(e)-1 (d)(2).

However, the foregoing does not supersede any prior election to apply the transition rule of PFEA §101(d)(3) as described in Notice 2004-78.

2.4 Revised Assumptions Effective date. The assumptions in ths Section 2.4 shall apply in determining the amount payable to a Participant having an annuity starting date in a Plan Year beginning on or after January 1, 2008, unless otherwise provided by the Pension Benefit Guaranty Corporation (PBGC) and IRS.

(a) Applicable interest rate. For purposes of the Plan's provisions relating to the calculation of the present value of a benefit payment that is subject to Code §417(e), any provision prescribing the use of the annual rate of interest on 30-year U.S. Treasury securities shall be implemented by instead using the rate of interest determined by the applicable interest rate described by Code §417(e) after its amendment by the Pension Protection Act. Specifically, the applicable interest rate shall be the adjusted first, second, and third segment rates applied under the rules similar to the rules of Code §430(h)(2)(C) for the second calendar month (lookback month) before the first day of the Plan Year in which the annuity starting state occurs (stability period). For this purpose, the first, second, and third segment rates are the first, second, and third segment rates which would be determined under Code §430(h)(2)(C) if:

(a) Code §430(h)(2)(D) were applied by substituting the average yields for the month described in the preceding paragraph for the average yields for the 24-month period described in such section, and

(b) Code §430(h)(2)(G)(i)(II) were applied by substituting "§417(e)(3)(A)(ii)(II) for "§412(b)(5)(B)(ii)(II)," and

(c) The applicable percentage under Code §430(h)(2)(G) is treated as being 20% in 2008, 40% in 2009, 60% in 2010, and 80% in 2011.

(b) Applicable mortality assumption. For purposes of the Plan's provisions relating to the calculation of the present value of a benefit payment that is subject to Code §417(e), any provision directly or indirectly prescribing the use of the mortality table described in Revenue Ruling 2001-62 shall be amended to prescribe the use of the applicable annual mortality table within the meaning of Code §417(e)(3)(B), as initially described in Revenue Ruling 2007-67.

APPENDIX III:
MINIMUM ACCRUED BENEFIT

Article 1
Definitions

Whenever used in this Appendix ill, the following terms will have the meanings set forth below, unless a different meaning is clearly required by the context. Any capitalized terms that are used in this Appendix ill, but that are not defined below, will have the meaning set forth in Article 1 of the Plan, unless a different meaning is clearly required by the context. References in this Appendix to "Article" and "Section," unless indicated otherwise, mean Articles and Sections appearing in this Appendix ill.

1.1 Covered Compensation. Covered Compensation for a Plan Year means the average of the Social Security Taxable Wage Bases for each year in the 35-year period ending with the last day of the year in which the Participant attains (or will attain) Social Security Retirement Age as determined under the exact tables provided by the Commissioner of Internal Revenue.

Covered Compensation for any Plan Year after 1991 will be equal to 1991 Covered Compensation. Social Security Taxable Wage Base means the contribution and benefit base in effect under Section 230 of the Social Security Act for the specified calendar year.

For purposes of this Section 1.1, a Participant's Social Security Retirement Age is determined based on the following table:

Year of Birth	Social Security Retirement Age
Before 1938	65
1983 to 1954	66
1955 and after	67

1.2 Credited Service.

Credited Service means service used to determine a Participant's Accrued Benefit and is determined as follows:

(a) Credited Service shall be measured in calendar years and months, Each month shall be equal to one-twelfth of a year of Credited Service. Except as otherwise stated in this Section 1.2, Credited Service for Plan Years beginning after December 31, 1988 means the sum of an Employee's calendar years and months (or parts thereof) as an Eligible Employee during the period beginning on his or her Benefit Service Date, For purposes of this section, Benefit Service Date means the later of:

   (a) the Participant's employment date,
   (b) the first day of the month following the Participant's 21st birthday, or
   (c) in the case of an Employee who is not credited with at least 1,000 Hours of Service in his or her first Eligibility Computation Period, the first day of the first Plan Year in which the Employee is credited with at least 1,000 Hours of Service.

(b) No Credited Service will be earned during a Plan Year beginning after December 31, 1988 unless the Employee completes at least 1,000 Hours of Service during that Plan Year except as follows: (1) through the period ending on December 31, 1997 and for Plan Year 2000, in order to earn Credited Service during the Plan Year in which the Employee has a Benefit Service Date or during the Plan Year in which the Employee retires or dies, the Employee must complete 83,33 Hours of Service multiplied by the number of calendar months during such Plan Year in which

the Employee completes at least one Hour of Service; and (2) effective for the 1995-1997 and the 2000 Plan Years, the foregoing sentence shall also apply to a Plan Year in which the Employee incurs a Termination of Employment.

(c) Except as otherwise stated in this Section 1.2, Credited Service for Plan Years beginning before January 1, 1989 means benefit service as defined under the terms of the Plan in effect on December 31, 1988.

(d) Effective on and after December 12, 1994, in any year in which a Participant accrues at least 1,000 Hours of Service, a Participant shall earn 190 Hours of Service, and one month of Credited Service, for each month of the Participant's Qualified Military Service.

(e) Credited Service will not include service earned during a period for which Years of Vesting Service are disregarded pursuant to Section 1.50(e) of the Plan.

(f) In the case of an Employee who is employed by an Affiliate or Subsidiary which either adopts this Plan with the consent of the Company or merges with the Company, Credited Service will not include service prior to the date of merger or adoption unless an earlier date is specifically designated for this purpose by the Board of Directors of Zions.

1.3 Final Average Earnings.

Final Average Earnings means the average of the Participant's Earnings as an Eligible Employee for the period of five consecutive calendar years ending on or before December 31, 1991 which produces the highest average. If the Participant has not been an Eligible Employee for five years, Final Average Earnings means the average of the Participant's Earnings over the Participant's full period of employment as an Eligible Employee before December 31, 1991.

In determining Final Average Earnings, Plan Years after 1988 during which the Participant earns fewer than 1,000 Hours of Service will be disregarded while allowing the immediately prior Plan Year and immediately subsequent Plan Year to be treated as though they are consecutive years.

In determining Final Average Earnings, Earnings will be annualized in the Plan Year of hire if the employee earned 1,000 Hours of Service during the one-year period beginning on the Employee's Employment Date. Earnings are annualized by dividing actual earnings for the Plan Year (excluding bonuses) by the number of months of actual earnings, then multiplying the result by 12 then adding bonuses.

For purposes of calculating Final Average Earnings, the $200,000 Earnings limitation that applies under Code Section 401 (a)(l 7) for Plan Year 2002 and thereafter (subject to annual adjustment in years following 2002) shall not be applied retroactively to any Plan Year prior to 2002.

Article 2
Accrued Benefits

2.1 Prior Plan Benefit Formula.

A Participant's monthly retirement income is equal to one twelfth of the greater of:

(a) the sum of:

 (a) the sum of the following (determined by applying the Code Section 401 (a)(l7) limitations, as adjusted, that were in effect in the respective year in which Earnings were received, and not the $150,000 limitation which became effective thereafter):

  (a) 1.65% of Final Average Earnings determined as of December 31, 1991 multiplied by Credited Service earned as of December 31, 1991, and

  (b) 1.65% of Earnings for each Plan Year beginning after December 31, 1991 and before January 1, 1994 in which the Participant earns a full or partial year of Credited Service.

(b) 1.65% of Earnings (determined by applying the Code Section 401 (a)(l 7) limitations, as adjusted, that were in effect in the respective year in which Earnings were received) for each Plan Year after December 31, 1993 in which the Participant earns a full or partial year of Credited Service.

(c) the sum of the following (determined by applying the Code Section 401(a)(17) limitations, as adjusted, that were in effect in the respective year in which Earnings were received, and not the $150,000 limitation which became effective thereafter):

 (a) 1.15% of Final Average Earnings up to Covered Compensation multiplied by Credited Service up to 35 years.

(b) 1.65% of Final Average Earnings in excess of Covered Compensation multiplied by Credited Service up to 35 years.
(c) 1.0% of Final Average Earnings multiplied by Credited Service in excess of 35 years.

(d) the annual accrued benefit on December 31, 1988 under the terms of the Plan as then in effect determined without regard to the $200,000 or $150,000 limitations under Section l.I8(c) of the Plan.

A Participant will receive an Accrued Benefit for any full or partial years of Qualified Military Service.

2.2 Minimum Accrued Benefit.

The minimum accrued benefit is the amount determined under Section 2.1 of this Appendix, for Credited Service before January 1, 1998, except Earnings for 1997 will be Earnings during the period from January 1, 1997 to March 31, 1997.

2.3 Grandfathered Minimum Accrued Benefit. The minimum grandfathered accrued benefit is the amount determined under Section 2.1 of this Appendix; provided, however, that the minimum grandfathered accrued benefit shall take into account any Credited Service and Earning s which may be accrued or earned by an Active Participant until the earlier

of the Participant's Termination of Employment or the date of any termination of, or cessation of accruals under, the Plan.

Article 3
Minimum Early Retirement Benefits

The minimum early retirement benefit equals the greater of the amount in Section 2.2 and 2.3 of this Appendix, reduced by 113 of 1 % for each month by which the Early Retirement Date precedes the Normal Retirement Date.

Article 4
Minimum Death Benefit

4.1 Death After Eligibility for Retirement.

If a Participant (other than a Retired Participant) dies on or after the earliest date on which he or she could retire in accordance under the Plan, his or her Eligible Spouse, if any, will receive a monthly benefit equal to the amount the Eligible Spouse would have been entitled to under Article 2 of this Appendix if the Participant had elected the 50% Spouse Option and retired on the first day of the month coinciding with or following the date of death. This benefit will be payable monthly to the

Eligible Spouse beginning on the first day of the month coinciding with or next following the Participant's death and will continue until the death of the Eligible Spouse.

4.2 Death Before Eligibility for Retirement.

If a Participant who has a vested interest in his or her Accrued Benefit dies prior to the earliest date on which the Participant could retire under the Plan, his or her Eligible Spouse, if any, will receive a monthly benefit equal to the amount the Eligible Spouse would have been entitled to under Article 2 of this Appendix if the Participant had:

(a) terminated employment on his or her date of death (if the Participant was an Employee on the date of death),

(b) survived to the earliest date on which he or she could retire in accordance with Article 3 of this Appendix (the "Earliest Retirement Date"),

(c) elected the 50% Spouse Option and retired on such Earliest Retirement Date, and

(d) died immediately after retiring.

This benefit will be payable monthly to the Eligible Spouse beginning on the Participant's Earliest Retirement Date and will continue until the death of the Eligible Spouse.

4.3 Alternate Death Benefit For Old Plan Accounts,

In lieu of the benefit described in Sections 4.1 or 4.2 of this Appendix, the Eligible Spouse of a Participant who has an Old Plan Account may elect to receive payment of the Old Plan Account as a lump sum payment as soon a practicable after the Participant's death. The Participant's Accrued Benefit Attributable to Company Contributions will be paid in accordance with (a) or (b) of Section 4.4 of this Appendix below, whichever applies.

4.4 Other.

(a) Benefits under this Article will be paid as soon as practicable after the Participant's death except that the Eligible Spouse may elect to defer commencement of the

benefit described in Sections 4.1, 4.2, or 4.3 of this Appendix until any date which is before the Participant's Normal Retirement Date. An Eligible Spouse who makes an election under Section 4.3 of this Appendix may not defer receipt of the Old Plan Account.

(b) The benefit under Sections 4.1 or 4.2 of this Appendix will apply to Terminated Vested Participants even if their Termination of Employment occurred prior to the effective date of these paragraphs.

APPENDIX IV:
ACQUISITION EFFECTIVE DATES

"Acquisition Effective Date" means the date described below:

Acquisition	Effective Date
Southern Arizona Bancorp, Inc.	May 31, 1996
Farm Investment Division	January 3, 1997
Howerth	January 17, 1997
Aspen Bancshares, Inc.	May 16, 1997
Pitkin County Bank	May 19, 1997
Centennial Savings Bank	May 19, 1997
Valley National Bank	May 19, 1997
Kelling, Northcross, & Nobriga, Inc.	July 7, 1997
Tri-State Bank	July 11, 1997
Wells Fargo Bank (branches)	July 19, 1997
Sun-State Bank	October 17, 1997
Grossmont Bank	January 1, 1998
Vectra Banking Corporation	January 6, 1998
Sky Valley Bank Corporation	January 23, 1998
Tri-State Financial Corporation	February 27, 1998
FP Bancorp, Inc.	May 26, 1998
SBT Bankshares, Inc.	June 1, 1998
Routt County National Bank Corporation	June 1, 1998
Kersey Bancorp	August 31, 1998
Eagle Bank	August 31, 1998
Commerce Bancorporation	January 1, 1999
Sumitomo Bank of California	October 1, 1998
Mountain Financial Holding Co.	October 30, 1998
Citizens Banco, Inc.	December 1, 1998
Barlow Insurance, Inc.	January 14, 1999
TradeWave	May 6, 1999
Regency Bancorp	October 6, 1999
Pioneer Bancorporation	October 18, 1999
County Bank	July 28, 2000
Draper Bancorp	January 26, 2001
Eldorado Bancshares, Inc.	March 30, 2001
Antelope Valley Bank	March 30, 2001
Pacific Century Financial Corporation	April 2, 2001
icormXpress	July 19, 2001
thinkXML	July 19, 2001
E-Lock Technologies	July 19, 2001
Leifer Capital	September 4, 2001
(Branches of) Washington Federal, Inc.	October 25, 2001
Minnequa Bancorp, Inc.	November 9, 2001

APPENDIX V:
DEFINITION OF “COMPANY”

As stated in Section 1.14 of the Plan, the term “Company” means each of the following corporations or partnerships, each of which has adopted this Plan, and is, as of January 1, 2002, a participating Company in the Plan:

California Bank and Trust

Commerce Bank of Washington National Association

Digital Signature Trust Co.

Lexign Inc.

National Bank of Arizona

Nevada State Bank

Phaos Technology

Corporation Vectra Bank of Colorado National Association

Zions Bancorporation

Zions First National Bank

Zions Credit Corporation

Zions Insurance Agency, Inc.

Zions Investment Securities, Inc.

Zions Management Services Company

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Section 5: EX-10.22 (PAYSHELTER 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN)

EXHIBIT 10.22

ZIONS BANCORPORATION
PAYSHELTER 401(k) AND EMPLOYEE
STOCK OWNERSHIP PLAN

RESTATED AND AMENDED EFFECTIVE JANUARY 1, 2002

Prepared for

ZIONS BANCORPORATION

by

CALLISTER NEBEKER & McCULLOUGH
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ARTICLE I
ESTABLISHMENT AND RESTATEMENT

1.1 Establishment and Restatement: This Plan is an amendment and restatement in full of the Zions Bancorporation Payshelter 401(k) Plan. This Plan is signed and executed on the day set forth at the end of this Plan, effective for all purposes (except as specifically set forth hereafter) as of January 1, 2002. This Plan is maintained by Zions Bancorporation, a corporation organized and existing under the laws of the state of Utah, with principal offices located at Salt Lake City, Utah, hereinafter referred to as the "Plan Sponsor," for the benefit of its Employees and the Employees of those affiliated entities who also participate herein. With the consent of Zions Bancorporation this Plan may be adopted by other Employers affiliated with it.

1.2 History: Effective as of July 1, 1984, Zions Utah Bancorporation, as the sponsoring employer, established the Zions Utah Bancorporation Salary Reduction Arrangement Plan and executed a funding arrangement with Zions First National Bank as Trustee to provide retirement benefits for eligible Employees. The name of the Plan was changed, effective July 17, 1987, to the Zions Ban-corporation Salary Reduction Arrangement Plan. Effective December 29, 1988, Zions Bancorporation amended the Zions Bancorporation Payroll Stock Ownership Plan and merged that plan into the Zions Bancorporation Salary Reduction Arrangement Plan. Effective January 1, 1989, Zions Bancorporation further amended and restated the Plan and renamed the Plan the Zions Bancorporation Employee Investment Savings Plan. Effective September 18, 1998, Zions Bancorporation terminated the Zions Bancorporation Profit Sharing Plan and on July 22, 1999, that plan was merged into this Plan. Effective December 31, 2001, Zions Bancorporation merged the Zions Bancorporation Employee Stock Savings Plan into the Zions Bancorporation Employee Investment Savings Plan, which merger further served to restate and amend both the Zions Bancorporation Employee Stock Savings Plan and the Zions Bancorporation Employee Investment Savings Plan to comply with and satisfy GUST. With the merger and amendment, Zions Bancorporation also changed the name of the Plan, effective January 1, 2002, to the Zions Bancorporation Payshelter 401(k) Plan (the "GUST Plan"). Effective as of January 1, 2003, Zions Bancorporation amended and restated the Plan to be known as the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan. The Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan as merged and combined is referred to herein as the "Prior Plan."

1.3 Intent: Zions Bancorporation intends by this Plan to restate in full the Prior Plan, as it previously existed following the merger that was effective December 31, 2001, and continue in part the retirement benefit program it has previously established for the benefit of its Employees who shall meet the eligibility requirements hereinafter set forth and for the benefit of the beneficiaries of such Employees, respectively, as hereinafter provided. Zions Bancorporation has designed this Plan to permit Employee Deferrals and Employer Matching Contributions that satisfy the "safe harbor" requirements of Code §§401(k)(12) and 401(m)(11). Zions Bancorporation also intends that this Plan shall be an employee stock ownership plan within the meaning of Code §4975(e)(7) and shall meet all other applicable requirements of the Internal Revenue Code of 1986 ("Code") and the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan shall be interpreted, wherever possible, to comply with the terms of the Code and ERISA and all formal regulations and rulings issued thereunder.

1.4 Transferee Plan: This Plan may include assets transferred from one or more other Plans ("Predecessor Plan" or "Plans") sponsored by Zions Bancorporation or by a member of an Affiliated Group with Zions Bancorporation. In that event certain provisions of this Plan shall apply for purposes of insuring that the Predecessor Plan has complied and continues to comply with all requirements of recent legislation, known collectively as "GUST."

1.5 Limitation on Applicability: The provisions of this Plan shall apply to all persons, whether or not employed by Zions Bancorporation or a member of an Affiliated Group on the Effective Date, who have an account in the Plan on or after the Effective Date, Prior to the Effective Date the terms of the Prior Plan shall govern.

1.6 EGTRRA: This Plan includes language that reflects certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). These provisions are intended as good faith compliance with the requirements of EGTRRA and are to be construed in accordance with EGTRRA and guidance issued thereunder. Unless otherwise provided, provisions included in this Plan in compliance with EGTRRA shall be effective as of the Effective Date of this Plan, Provisions included in this Plan conforming to EGTRRA shall supersede all other provisions of the Plan to the extent those provisions are inconsistent with EGTRRA.

ARTICLE II
DEFINITIONS OF TERMS

As used in this Plan the following words and phrases shall have the meanings indicated, unless the context clearly requires another meaning.

2.1 "Account" shall mean the Account established and maintained by the Plan Administrator for a Participant with respect to the Participant's interest in the Investment Fund. Each Participant's Account shall be credited or charged with contributions, distributions, expenses, earnings and losses as provided herein. The following separate sub-accounts shall be established for each Participant, as applicable, and in the aggregate they shall constitute (he Participant's Account;

(a) **"Participant Elective Deferral Account"** shall mean the sub-account that is attributable to the contributions made by the Employer pursuant to an election by the Participant under Section 5.1.
(b) **"Participant Rollover Account"** shall mean the sub-account that is attributable to contributions received pursuant to Section 5.5. Effective June 1, 2007, any amount in the Participant Rollover Account that is attributable to a rollover from another plan of Roth elective deferrals pursuant to Section 5.4A(e) shall be accounted for separately.
(c) **"Employer Matching Contribution Account"** shall mean the sub-account that is attributable to matching contributions made by the Employer pursuant to Section 5,6.
(d) **"Employer Non-Elective Contribution Account"** shall mean the sub-account that is attributable to the Non-Elective Contributions made by the Employer pursuant to Section 5.7.
(e) **"Participant Voluntary Contribution Account"** shall mean the sub-account that is attributable to Voluntary Contributions made by the Employee prior to the Effective Date. This sub-account shall also reflect the Participant's Voluntary Contributions used previously to acquire Company Stock.
(f) **"Paysop Account"** shall mean the sub-account that is attributable to all amounts transferred to this Plan from the Paysop pursuant to that certain trust to trust transfer agreement effective December 29, 1988.
(g) **"Employer Securities Account"** shall mean the sub-account maintained for each Participant to hold the Participant's share of Employer Securities (including fractional shares) held by the Plan, regardless of origin to the Plan or contribution source, including, without limitation, Employer Securities purchased and paid for by the Trust or contributed in kind by the Employer to the Trust, forfeitures of Employer Securities and stock dividends on Employer Securities. To the extent it holds Employer Securities the Dividend Account shall also be treated as part of the Employer Securities Account for all Plan purposes, including diversification under Section 6.6, but excepting vesting under Section 11.1.
(h) **"General Investments Account"** shall mean the sub-account that is attributable to all contributions made to the Plan for the benefit of the Participant that are not comprised of Employer Securities or used to purchase Employer Securities, together with all forfeitures, earnings and accruals thereon. This sub-account shall hold all non-Employer Securities investments, regardless of origin to the Plan or contribution source.
(i) **"Dividend Account"** shall mean the sub-account that is maintained for the purpose of receiving and holding cash dividends paid by the Plan Sponsor on Employer Securities held by the Plan until distributed or invested in Employer Securities. Upon investment in Employer Securities, the Dividend Account shall be deemed a part of and treated in the same manner as the Employer Securities Account for all Plan purposes, including diversification under Section 6.6, but excepting vesting under Section 11.1.
(j) **"Segregated Investment Account"** shall mean the sub-account that is maintained for the benefit of a Participant pursuant to Section 6.6. Effective January 1, 2004, this Account shall be the same as the Participant's General Investments Account as described in subsection (h).
(k) **"Predecessor Plan Account"** shall mean the sub-account that is attributable to assets transferred from a Predecessor Plan ("Transferred Benefits").
(l) **"Roth Elective Deferral Account"** shall mean the sub-account that is attributable to contributions to the Plan made pursuant to an election by the Participant under Section 5.4A.
(m) **"In-plan Roth Rollover Account"** shall mean the sub-account that is attributable to an in-plan Roth rollover which is made pursuant to the requirements of Section 5.4A(e).

Certain sub-accounts may include or incorporate assets from other sub-accounts. The maintenance of separate sub-accounts is for Plan accounting purposes only and segregation of the assets of the Plan shall not be required.

2.2 "Accrued Benefit" shall mean, as of any date, the sum of the values in a Participant's Account as of the most recent preceding Valuation Date, plus any contributions to and minus any distributions from the Account since the Valuation Date.

2.3 "Administratively Feasible" shall mean, when determining the date by which a Participant may receive a distribution of his or her Accrued Benefit from the Plan, a date that reasonably follows the final determination by the Plan Administrator of all factors that affect the value or amount of the balance in the Participant's Account. Such factors shall include the valuation of the assets attributable to the Account and the determination of all costs and expenses associated with the Account and the assets attributable thereto that must be paid before or in connection with the distribution. The Plan Administrator shall not make any distribution before the Plan Administrator shall have determined, within its sole and reasonable discretion, that a correct and complete valuation of the Account has been accomplished and that all attributable costs and expenses have been determined and applied, or in the alternative, provision for their application has been made. In regard to providing for application of costs and expenses, whenever any attributable cost or expense has not or cannot be determined
within a reasonable time following a request for distribution, the Plan Administrator may establish a reasonable maximum percentage that can be distributed from the Participant's Account until such time as the Plan Administrator has determined (and applied, as appropriate) all additional costs applicable to the Participant's Account. If so elected by the Participant, he or she shall receive distribution of that percentage portion of his or her Account that the Plan Administrator has confirmed as distributable. The remainder shall be distributed once the Plan Administrator has determined and applied all additional costs deductible from the Participant's Account. The Plan Administrator shall provide any required notice to the Participant and comply with all applicable laws and regulations when determining and setting the maximum distribution percentage.

With respect to any distribution to a Participant that the Plan may or would be entitled to offset by application of ERISA §206(d)(4), no such distribution shall be Administratively Feasible before the date on which a final order or judgment is entered or could be entered, or a settlement agreement is executed, with respect to the circumstances giving rise to the possible application of that Section.

2.4 "Administrator" or "Plan Administrator" shall mean the person, persons, or corporation administering this Plan, as provided in Article XIII hereof, and any successor or successors thereto.

2.5 "Affiliated Group" shall mean a group of corporations, trades or businesses that constitutes a controlled group of corporations, trades or businesses as defined in Code §§414(b) and (c) and shall also include a group of corporations, partnerships or other organizations that constitutes an affiliated service group as defined in Code §414(m) or is treated as a single employer under Code §414(o) and the regulations thereunder.

2.6 "Age" shall mean a person's attained age in completed years and months as of the date determined.

2.7 "Anniversary Date" shall be the first day of each Plan Year.

2.8 "Beneficiary" shall mean any person, persons, or trust designated by a Participant on a form as the Plan Administrator may prescribe to receive any death benefit that may be payable hereunder if such person or persons survive the Participant. This designation may be revoked at any time in similar manner and form. In the event of the death of the designated Beneficiary before the death of the Participant, the Contingent Beneficiary shall be entitled to receive any death benefit.

2.9 "Board of Directors" shall mean:
(a) in the case of a corporation, its Board of Directors; or
(b) in the case of a partnership or joint venture, its controlling partners.

2.10 "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.11 "Compensation" or "Annual Compensation" shall mean the Participant's wages, salaries, fees for professional service and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the
Company to the extent that the amounts are includable in gross income (including, but not limited to, commission paid salesmen, compensation for services on insurance premiums, tips, and bonuses). Compensation will also include Participant contributions to any insurance program and elective contributions made by the Company on behalf of its Participants that are not includable in gross income under Code Sections 125, 402(e)(3), 402(h) or 403(b).

The term "Compensation" does not include:
(a) Company contributions to a plan of deferred compensation (other than elective contributions described above) to the extent that, before the application of the Code Section 415 limitations to that plan, the contributions are not includible in the gross income of the Participant for the taxable year in which contributed. Additionally, any distributions from a plan of deferred compensation are not considered as Compensation regardless of whether such amounts are includible in the gross income of the Participant when distributed. However, any amounts received by a Participant pursuant to an unfunded nonqualified plan may be considered as Compensation in the year such amounts are includible in the gross income of the Participant;
(b) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by a Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;
(c) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option;

(d) Other amounts that receive special tax benefits, such as premiums for group term life insurance (without regard to whether the premiums are includible in the gross income of the Participant);
(e) Reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, parking or public transportation payments not includable in gross income by reason of Code §132(f)(4), welfare benefits, and any lump sum amounts paid at termination of employment (on account of such termination), such as severance pay, vacation and sick leave cash-outs; and
(f) Directors fees, if any, paid to Highly Compensated Employees.

Effective for Plan Years commencing on and after January 1, 2002, Annual Compensation of each Participant taken into account in determining allocations for any Plan Year shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with Code §401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to Annual Compensation for the Plan Year that begins with or within the calendar year,

For any short Plan Year the Annual Compensation limit shall be an amount equal to the Annual Compensation limit for the calendar year in which the Plan Year begins, multiplied by the ratio obtained by dividing the number of full months in the short Plan Year by 12.

2.12 "Contingent Beneficiary" shall mean the person, persons, or trust duly designated by the Participant to receive any death benefit from the Plan in the event the designated Beneficiary does not survive the Participant.

2.13 "Disability" shall mean when applied to any Participant who has not yet attained Normal Retirement Age, an impairment occurring due to sickness or injury that prevents the Participant from performing his or her material and substantial duties as an Employee and that can be expected (a) to last for a long-continued, indefinite period and (b) result in the Participant being unable to perform the duties of any gainful occupation for which he or she is reasonably fitted by education, training or experience. The Plan Administrator shall determine the existence of Disability under this Section by applying of foregoing standard in a manner consistent with the determination of disability under the long term disability plan sponsored by the Plan Sponsor. Eligibility to receive Social Security disability payments shall not automatically deem the Participant to be disabled without further determination by the Plan Administrator.

2.14 "Disqualified Person" [Reserved].

2.15 "Distribution Date" shall mean the first day of the first month for which an amount is payable, or the date on which a benefit is actually paid or begins to be paid.

2.16 "Effective Date" shall mean generally January 1, 2002, the effective date of this restated Plan. All provisions of this Plan shall be effective as of that date unless an alternative dale is specifically provided. The Prior Plan was restated effective as of January 1, 2003. This document replaces and supersedes the Prior Plan retroactive to January 1, 2002.

2.17 "Elective Deferral" shall mean a contribution to the Plan under a cash or deferred arrangement as defined in Code §401(k) to the extent not includable in gross income, which is made pursuant to an election and authorization by a Participant through a Salary Deferral Agreement consistent with the provisions of Section 5.1. Effective June 1, 2007, an Elective Deferral may also be referred to in this Plan as a "pre-tax Elective Deferral," in order to distinguish it from a Roth Elective Deferral that is permitted under Section 5.4A. Unless specifically referred to as a Roth Elective Deferral, any reference to an Elective Deferral under this Plan shall mean Elective Deferral as defined in the first sentence of this Section.

2.18 "Eligible Employee" shall mean any Employee who is not an Excluded Employee.

2.19 "Employee" shall mean any individual who performs personal services directly for and with the consent and supervision of a Zions Employer in a capacity other than solely as a director. The term "Employee" shall also include a Leased Employee.

2.20 "Employer" or "Zions Employer" shall mean the Plan Sponsor and any other entity who, with the authorization of the Plan Sponsor, may adopt this Plan. Solely for purposes of determining Eligibility Service, Years of Vesting Service and One Year Breaks in Service, any entity not adopting this Plan that, together with the Plan Sponsor, is a member of an Affiliated Group shall also be treated as an Employer for the period of time during which the entity was a part of the Affiliated Group. Each Zions Employer participating in this Plan shall be identified on a list attached as an addendum to this
Plan or through separate participation agreements reflecting adoption of this Plan by the Zions Employer.

2.21 "Employer Contribution" shall mean any Employer contribution made to this Plan on behalf of an Employee.

2.22 "Employer Securities" shall mean common stock issued by the Plan Sponsor (or by a corporation that is a member of the controlled group of corporations of which the Plan Sponsor is a member) that is readily tradeable on an established securities market. Noncallable preferred stock shall be deemed to be "Employer Securities" if such stock is convertible at any time into stock that constitutes "Employer Securities" hereunder and if such conversion is at a conversion price that (as of the date of the acquisition by the Plan) is reasonable. Preferred stock shall be treated as noncallable if after the call there will be a reasonable opportunity for a conversion that meets the above requirement.

2.23 "Entry Date" shall mean, solely for purposes of participation under Article IV, the date an Employee became or becomes a Participant in the Plan. Under the GUST Plan Entry Dates occurred on January 1 April 1, July 1 and October 1 of each Plan Year. Effective January 1, 2002, the GUST Plan was amended to provide that Entry Dates occur on each day of the Plan Year. The Effective Date shall also be an Entry Date for this Plan.

2.24 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations issued thereunder.

2.25 "Excluded Employee" shall mean a member of that class of Employees who are not eligible to participate in the Plan or accrue any benefit under the Plan, regardless of the number of hours worked. The class of such Employees includes:
(a) Employees whose employment is governed by the terms of a collective bargaining agreement between Employee representatives and the Employer under which retirement benefits were the subject of good faith bargaining between the Employee representatives and the Employer.
(b) Employees who are non-resident aliens and who receive no earned income (within the meaning of Code §911(b)) from an Employer that constitutes income from sources within the United States.
(c) Employees whose services for the Employer are performed outside of the United States or whose principal base of operations is outside of the United States.
(d) Employees who are designated by the Employer to be in either of the following classifications:
  (a) independent contractor, or
  (b) temporary employee or Leased Employee,
  It is expressly intended that an individual identified by the Employer to be in one of the above classifications shall be ineligible to participate in the Plan without regard to whether a court or administrative agency subsequently determines that the individual was not or is not in fact in that classification.
(e) Employees who are employed by an entity that is part of a Affiliated Group with a Zions Employer, but which entity has not adopted and does not participate in this Plan.

2.26 "Exempt Loan" shall mean a loan to this Plan that satisfies the Exempt Loan transaction provisions of Section 14.3.

2.27 "Fiduciary" shall mean and include the Trustee, Plan Administrator, Plan Sponsor, Investment Manager, and any other person or corporation who:
(a) exercises any discretionary authority or discretionary control respecting management of the Plan or exercises any authority or control respecting management or disposition of its assets;
(b) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Plan, or has any authority or responsibility to do so;
(c) has any discretionary authority or discretionary responsibility in the administration of the Plan; or
(d) is described as a "fiduciary" in Sections 3(14) or (21) of ERISA or is designated to carry out fiduciary responsibilities pursuant to this agreement to the extent permitted by Section 405(e)(1)(B) of ERISA.

2.28 "Highly Compensated Employee" shall mean, for any Plan Year, an Employee, other than a non-resident alien receiving no earned income from the Employer from sources within the United States, who:
(a) was at any time during the Plan Year or the Look-back Year a Five Percent Owner (as defined in Section 19.2(b)); or
(b) received Compensation from the Employer in the Look-back Year in excess of $85,000 and was in the Top Paid Group for the Look-back Year.

"Look-back Year" means the Plan Year immediately preceding the Plan Year for which the determination is being made. An Employee is in the "Top Paid Group" if the Employee is in the group consisting of the top 20% of Employees when ranked on the basis of Compensation paid during the Look Back Year. When calculating the

number of Employees in the Top Paid Group the following Employees shall be excluded: (i) Employees who have not completed six months of service; (ii) Employees who normally work fewer than 17 1/2 hours per week; (iii) Employees who normally work not more than 6 months during any year; (iv) Employees who have not attained age 21; and (v) Employees who are Excluded Employees by reason of Section 2.25(a). If permitted by IRS regulations or rulings, the Employer may use shorter periods and hours and a lower age when calculating the Top Paid Group. The ($85,000) amount in (b) above shall be adjusted for cost of living as provided under Code §415(d), except that the base period shall be the calendar quarter ending September 30, 1996.

A former Employee who was a Highly Compensated Employee upon Termination of Employment or at any time after attaining age 55 shall be treated as a Highly Compensated Employee. For any Plan Year, including the Look-back Year, no family aggregation rules shall apply when determining who is a Highly Compensated Employee and no Employee who is a family member of any Highly Compensated Employee shall be required or considered to be a single Employee with the Highly Compensated Employee.

For purposes of this Section, Compensation is defined as in Section 7.1(b) of this Plan, but shall include contributions made by the Employer to a plan of deferred compensation otherwise excluded in Section 7.1(b).

2.29 "Inactive Participant" shall mean a Participant who retains and is entitled to receive an Accrued Benefit under the Plan, but who is not currently eligible to make Elective Deferral Contributions or receive an allocation of Employer Contributions or forfeitures because the Participant has incurred a Termination of Employment.

2.30 "Investment Fund" shall mean all assets of the Trust Fund.

2.31 "Investment Manager" shall mean any Fiduciary (other than a Trustee or Named Fiduciary) who:

(a) has the power to manage, acquire or dispose of any asset of the Plan;
(b) is (1) registered as an investment advisor under the Investment Advisors Act of 1940; (2) a bank as defined in that Act; or (3) is an insurance company qualified to perform services described in subsection (a) above under the laws of more than one state; and
(c) has acknowledged in writing that he is a Fiduciary with respect to the Plan.

2.32 "K-Test Average Contribution Percentage" shall mean the average (expressed as a percentage) of the K-Test Contribution Percentages of the Participants in a group.

2.33 "K-Test Contribution Percentage" shall mean the ratio (expressed as a percentage) of a Participant's K-Test Contributions for a Plan Year to the Participant's Compensation for the Plan Year. The K-Test Contribution Percentage for a Participant who is a Highly Compensated Employee shall be determined by combining all cash or deferred arrangements under which the Highly Compensated Employee is eligible to participate (other than those that may not be permissively aggregated) with this Plan as though they were a single arrangement. For this purpose, Compensation is defined as in Section 7.1 (b) of the Plan. The K-Test Contribution Percentage for a Participant who has made no Elective Deferral contributions and who is not credited with any K-Test Contributions for the Plan Year shall be zero.

2.34 "K-Test Contributions" shall mean, for any Plan Year, a Participant's Elective Deferrals, plus, if so elected by the Employer, part or all of the Qualified Non-Elective Contributions and Qualified Matching Contributions allocated to the Participant for such year, provided that, any Qualified Non-Elective Contributions included as K-Test Contributions shall not increase the difference between the K-Test Average Contribution Percentage for Highly Compensated Employees and the K-Test Average Contribution Percentage for Non-Highly Compensated Employees; and, further provided that, no Qualified Non-Elective Contributions or Qualified Matching Contributions included as K-Test Contributions shall be included as M-Test Contributions. In determining the amount of a Participant's Elective Deferrals under this Section the Plan Administrator shall take into account elective deferrals made by the Participant under any other plan that is aggregated with this Plan for purposes of Code §401(a)(4) or Code §410(b) (other than Code §410(b)(2)(A)(ii)) and any other plan satisfying Code §401(k)(3) and Reg. §1.401(k)-1(b)(3) that the Employer elects to permissively aggregate with this Plan, by treating all such plans and this Plan as a single plan.

2.35 "Leased Employee" shall mean any person who, pursuant to an agreement between the Zions Employer and the Plan Sponsor or any other person or organization (leasing organization), has performed services for the Zions Employer (or for the Zions Employer and related persons determined in accordance with Code §414(n)(6)) and such services are performed under the primary direction or control of the Zions Employer.

2.36 "Leveraged Employer Securities" shall mean Employer Securities acquired by the Trust with the proceeds of an Exempt Loan.

2.37 "Limitation Year" shall mean the Plan Year, unless the Employer elects a different 12 month period.

2.38 "M-Test Average Contribution Percentage" shall mean the average (expressed as a percentage) of the M-Test Contribution Percentages of the Participants in a group.

2.39 "M-Test Contribution Percentage" shall mean the ratio (expressed as a percentage) of a Participant's M-Test Contributions for a Plan Year to the Participant's Compensation for the Plan Year. The M-Test Contribution Percentage for a Participant who is a Highly Compensated Employee shall be determined by combining all plans subject to Code §401(m) under which the Highly Compensated Employee is eligible to participate (other than those that may not be permissively aggregated) with this Plan as though they were a single plan. For this purpose, Compensation is defined as in Section 7.1(b) of the Plan. The M-Test Contribution Percentage for a Participant who has made no Elective Deferral contributions and who is not credited with any M-Test Contributions for the Plan Year shall be zero.

2.40 "M-Test Contributions" shall mean for any Plan Year Matching Contributions made pursuant to Section 5.6 less any of the Participant's Qualified Matching Contributions included as K-Test Contributions. If so elected by the Employer, part or all of the Qualified Non-Elective Contributions allocated to the Participant for such year shall be included as an M-Test Contribution, provided that any Qualified Non-Elective Contributions included as M-Test Contributions shall not increase the difference between the M-Test Average Contribution Percentage for Highly Compensated Employees and the M-Test Average Contribution Percentage for Non-Highly Compensated Employees; and, further provided that, no Qualified Non-Elective Contributions included as M-Test Contributions shall be included as K-Test Contributions. In determining the amount of M-Test Contributions under this Section the Plan Administrator shall take into account all employee voluntary contributions made by the Participant and all matching contributions made by the Employer under any other plan that is aggregated with this Plan for purposes of Code §401(a)(4) or Code §410(b) (other than Code §410(b)(2)(A)(ii)) and any other plan satisfying Code §401(k)(3) and Reg. §1.401(k)-1(b)(3) which the Employer elects to permissively aggregate with this Plan, by treating all such plans and this Plan as a single plan.

2.41 "Matching Contribution" shall mean any Employer contribution made to the Plan on behalf of an Employee on account of an Employee's Elective Deferral, but excluding, for Plan Years beginning after December 31, 1988, any contribution used to meet the minimum required allocation requirements under Section 19.3. For Plan Years commencing after December 31, 2001, Matching Contributions may be used to satisfy the minimum required contribution requirements of Section 19.3 to the extent provided in Section 19.9, if the Employer fails to or elects not to provide benefits to Participants under this Plan on a safe harbor basis, as defined herein.

2.42 "Named Fiduciary" shall mean the Plan Administrator and any Committee appointed and so designated by the Plan Administrator.

2.43 "Net Profit" for any year shall mean the current and accumulated earnings of the Employer as reflected by its books of account for the particular fiscal year before the provision for federal and state income tax, without increase or decrease due to corrections or adjustments subsequently made, but excluding the cost of contributions made under this Plan or any other qualified plan.

2.44 "Non-Highly Compensated Employee" shall mean an Employee who is not a Highly Compensated Employee.

2.45 "Normal Retirement Age" shall mean age 65.

2.46 "Normal Retirement Date" shall mean the first day of the calendar month coinciding with or next following a Participant's Normal Retirement Age.

2.47 "Participant" shall mean any Eligible Employee who has satisfied all of the age and service requirements of Section 4.1. Such an Eligible Employee shall be deemed to be a Participant in the Plan for purposes of any applicable non-discrimination test, including the K-Test and M-Test defined in this Plan, without regard to whether he has executed a Salary Reduction Agreement and agreed to have contributions made to this Plan through Elective Deferrals. A Participant may nevertheless be considered "active" or "inactive" depending on whether he is eligible to make Elective Deferral Contributions or receive an allocation of Employer Contributions. A Participant who has an Account in the Plan but is an Inactive Participant because he or she has incurred a Termination of Employment shall not be treated as a Participant in the Plan for purposes of any applicable nondiscrimination lest, including the K-Test and M-Test defined in this Plan in any Plan Year following the Plan Year in which the Participant's Termination of Employment has occurred.

2.48 "Paysop" shall mean the Zions Bancorporation Payroll Stock Ownership Plan, a tax-credit employee stock ownership plan within the meaning of Code §409(a), which was merged into this Plan pursuant to that certain trust to trust transfer agreement effective December 29, 1988.

2.49 "Plan" shall mean the Plan as stated herein and as may be amended from time to time, denominated the "Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan." The Employer intends the Plan to satisfy the requirements of Code Section 401(k) and to be an employee stock ownership plan within the meaning of Code §4975(e)(7), for all purposes of the Code.

2.50 "Plan Sponsor" shall mean Zions Bancorporation.

2.51 "Plan Year" shall mean the one year period commencing each January 1 and ending the following December 31.

2.52 "Predecessor Plan" shall mean any Plan that has been previously amended or restated for GUST and whose assets have been transferred to this Plan pursuant to a merger or trust to trust transfer. The benefits that are funded by the transferred assets shall be protected benefits within the meaning of Code §411(d)(6) and the regulations thereunder and before their transfer to this Plan shall be subject to all provisions of the Predecessor Plan, including any transitional rules required by prior legislation such as GUST and applicable IRS regulations.

2.53 "Prior Plan" shall mean the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, as it existed immediately before the Effective Date.

2.54 "Qualified Matching Contribution" shall mean a Matching Contribution with respect to which the requirements of Reg. §1.401(k)-1(b)(5) and Code §§401 (k)(2)(B) and (C) are met.

2.55 "Qualified Non-Elective Contribution" shall mean any Employer contribution to the Plan other than a Matching Contribution with respect to which the Employee may not elect to have the contribution paid to the Employee in cash instead of being contributed to the Plan and (if treated as K-test Contributions) the requirements of Reg. §1.401(k)-1(b)(5) and Code §§401(k)(2)(B) and (C) are met or (if treated as M-Test Contributions) the requirements of Reg. §1.401(m)-1(b)(5) are met.

2.56 "Transferred Benefits" shall mean those benefits funded by assets transferred to the Plan from a Predecessor Plan. Transferred Benefits shall include all optional forms of benefits available under the Predecessor Plan(s) from which the Transferred Benefits were received, unless otherwise provided in this Plan.

2.57 "Trust" shall mean the Trust originally created in conjunction with the Plan, previously named effective January 1, 2002, the Zions Bancorporation Payshelter 401(k) Plan Trust. As of the Effective Date the Trust is designated as the "Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust."

2.58 "Trust Fund" shall mean all cash, Employer Securities, securities, annuity contracts, real estate and any other property held by the Trustee pursuant to the terms of the Trust and this Plan, together with investment earnings or losses thereon, less any applicable expenses of the Plan and Trust.

2.59 "Trustee" shall mean the bank, trust company or other corporation possessing trust powers under applicable state or federal law, or one or more individuals, or any combination thereof named as Trustee or Trustees under the Trust.

2.60 "Valuation Date" shall mean the date on which the Trust Fund and Accounts are valued, as provided in this Plan. The following shall be Valuation Dates:

(a) the last day of each Plan Year (the "Annual Valuation Date"), and

(b) every other business day during the Plan Year on which trading activity occurs or could occur with respect to the Employer Securities held by the Plan. The Plan Administrator shall interpret this Section as it deems necessary or advisable to provide for the orderly and equitable administration of the Plan.

2.61 "Vested Interest" or **"Vested Accrued Benefit"** shall mean the portion of a Participant's Accrued Benefit that is non-forfeitable.

2.62 "Voluntary Contributions" shall mean after-tax contributions previously made by a Participant under a Salary Reduction Agreement with the Employer. As of the Effective Date Voluntary Contributions are no longer permitted to be made to the Plan.

ARTICLE III
SERVICE DEFINITIONS AND RULES

3.1 "Eligibility Computation Period" shall mean the period used to measure Eligibility Service and Breaks in Service for purposes of eligibility to begin and maintain participation in the Plan. As of January 1, 2002, the Plan does not apply any minimum Eligibility Computation Period.

3.2 "Eligibility Service" shall mean service for any period during which an Employee receives credit for Hours of Service for a Zions Employer.

3.3 "Employment Commencement Date" shall mean the date on which the Employee first performs an Hour of Service for a Zions Employer.

3.4 "Hour of Service" shall mean and be determined as follows;

(a) Each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours shall be credited to the Employee for the year or years in which the duties are performed.

(b) Each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or Leave of Absence. Notwithstanding the preceding sentence:

  (a) No more than 501 Hours of Service are required to be credited under this paragraph during which the Employee performs no duties (whether or not such period occurs in a single computation period);

  (b) An hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties are performed is not required to be credited to the Employee if such payment is made or due under a plan maintained solely for the purpose of complying with applicable worker's compensation or unemployment compensation or disability insurance laws; and

  (c) Hours of Service are not required to be credited for a payment that solely reimburses an Employee for medical or medically related expenses incurred by the Employee.

For purposes of this paragraph (b), a payment shall be deemed to be made by or due from an Employer regardless of whether such payment is made by or due from the Employer directly, or indirectly through, among others, a trust fund or insurer to which Employer contributes or pays premiums and regardless of whether contributions made or due to the trust fund, insurer or other entity are for the benefit of particular Employees or are on behalf of a group of Employees in the aggregate. Hours under this paragraph (b)

shall be calculated and credited pursuant to DOL Reg. §2530.200b-2, paragraphs (b) and (c), which are incorporated herein by this reference.

(c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service shall not be credited both under paragraph (a) or paragraph (b), as the case may be, and under this paragraph (c). These hours shall be credited to the Employee for the year or years to which the award or agreement pertains rather than the year in which the award, agreement or payment is made.

(ci) Hours of Service shall be determined on the basis of actual hours for which an Employee is paid, entitled to payment or for which back pay is awarded or agreed to.

(cii) In the case of an Employee who is absent from work for any period:

  (c) by reason of the pregnancy of the Employee;

  (ci) by reason of the birth of a child of the Employee;

  (cii) by reason of the placement of a child with the Employee in connection with the adoption of such child by such Employee; or

  (ciii) for purposes of caring for such child for a period beginning immediately following such birth or placement;

Hours of Service shall include the Hours of Service that otherwise would normally have been credited to such Employee but for such absence; or in any case in which the Plan is unable to determine the Hours of Service to be credited, eight Hours of Service for each regularly scheduled work day of such absence, The total number of hours treated as Hours of Service under this Section by reason of any pregnancy or placement shall not exceed 501 hours less the number of Hours of Service credited to an Employee pursuant to subsections (a) through (e) above, for an absence described in this subsection (f). The hours described in this subsection (f) shall be treated as Hours of Service only in the computation period in which the absence from work begins, if an Employee would be prevented from incurring a One-Year Break in Service in such computation period solely because the period of absence is treated as Hours of Service as provided herein; or in any other case, in the immediately following computation period. Notwithstanding the foregoing, no credit will be given pursuant to this subsection (f) unless the Employee furnishes to the Plan Administrator such timely information as (he Plan Administrator may reasonably require to establish that the absence from work is for reasons referred to herein, and the number of days for which there was such an absence.

(f) Hours of Service shall be aggregated for service with all Zions Employers, however, in no event shall duplicate credit be given for the same Hours of Service.

(g) The Plan Administrator may use any records to determine Hours of Service that it considers an accurate reflection of the facts.

(h) When crediting Hours of Service for Employees who are paid on an hourly basis the Plan Administrator shall use the "actual" method. For purposes of the Plan,

"actual" method shall mean the determination of Hours of Service from records of hours worked and hours for which the Employer makes payment or for which payment is due from the Employer. When crediting Hours of Service for Employees who are not paid on an hourly basis, the Plan Administrator shall use the "salaried earnings" method. With respect to an Employee whose Compensation consists primarily of periodic salary payments, "salaried earnings" method shall mean the determination of Hours of Service from records showing payments made to the Employee or payments due to the Employee from the Employer. In applying the "salaried earnings" method, an Employee who has at least 435 hours or 870 hours shall be credited with 500 Hours of Service and 1,000 Hours of Service, respectively.

3.5 "One Year Break in Service" shall mean a 12 consecutive month period during which an Employee has not completed more than 500 Hours of Service, regardless of whether the Employee has incurred a Termination of Employment. For purposes of vesting, such 12 consecutive month periods shall be measured on the same basis as Years of Vesting Service. Effective January 1, 2006, except as otherwise provided in Section 3.13, the provisions of this Section shall no longer apply for purposes of determining Years of Vesting Service. For purposes of eligibility to participate, the Plan shall not apply any break in service rule. The following types of absence shall not constitute a One-Year Break in Service:

(a) extended vacation, provided that persons under similar circumstances shall be treated alike;

(b) Absence due to illness or accident while regular remuneration is paid;

(c) Absence for military service or significant civilian service for the United States, provided that with respect to civilian service, the absent Employee returns to service with the Employer within 30 days of his release from the civilian service or any longer period during which his right to re-employment is protected by law and with respect to military service, the absent Employee returns to service within the period described in Section 3.12, or any longer period during which his right to re-employment is protected by law.

3.6 "Re-employment Commencement Date" shall mean the date on which an Employee, who has both incurred a Termination of Employment from the Employer and has had a One Year Break in Service as a result of that termination, first performs an Hour of Service for the Employer following such Break in Service.

3.7 "Termination of Employment" with respect to any Employee or Participant shall occur upon the separation from service (effective January 1, 2002, severance from employment) of the Employee or Participant due to the resignation, discharge, death, retirement, failure to return to active work at the end of an authorized leave of absence or the authorized extension(s) thereof, failure to return to active work when duly called following a temporary layoff, or upon the happening of any other event or circumstance that, under the then current policy of the Zions Employer results in the termination of the employer-employee relationship. Termination of Employment shall not be deemed to occur merely because of a transfer between Zions Employers.

3.8 "Vesting Computation Period" shall mean the 12 consecutive month period used to measure Years of Vesting Service and Breaks in Service for purposes of vesting. The 12 consecutive month period used for the Vesting Computation Period shall be the Plan Year. Effective January 1, 2006, except as otherwise provided in Section 3.13, the provisions of (his Section shall no longer apply for purposes of determining Vesting Service.

3.9 "Year of Service" shall mean a 12 consecutive month period during which an Employee has completed at least 1,000 Hours of Service.

3.10 "Year of Vesting Service" shall mean:

(a) for Plan Years commencing prior to January 1, 2002, a Vesting Computation Period during which an Employee has completed at least one Hour of Service. For Plan Years commencing on or after January 1, 2002, "Year of Vesting Service" shall mean a Vesting Computation Period during which an Employee has completed at least 1,000 Hours of Service. Subject to Section 11.5 a Participant's Years of Vesting Service shall be determined based on all Vesting Computation Periods containing or beginning after his Employment Commencement Date or Re-employment Commencement Date, provided that service prior to the date an Employee has attained age 18 shall not be taken into account. Any individual who was a Leased Employee and who subsequently becomes an Eligible Employee shall be credited with all Years of Service as a Leased Employee for purposes of determining Years of Vesting Service. Effective January 1, 2006, except as otherwise provided in Section 3.13, the provisions of this subsection (a) shall no longer apply for purposes of determining Years of Vesting Service.

(b) with respect to a Merged Employee for Plan Years commencing prior to the Merger Dale, a calendar year during which the Merged Employee has completed at least one hour of service for the Merged Employer. For Plan Years commencing on or after the Merger Date, "Year of Vesting Service" shall mean a Vesting Computation Period during which the Merged Employee completes at least 1,000 Hours of Service. Effective January 1, 2006, except as otherwise provided in Section 3.13, the preceding sentence shall no longer apply and "Years of Vesting Service" after the Merger Date shall be credited to a Merged Employee as provided in Section 3.13. All creditable Years of Vesting Service determined under the above rules for a Merged Employee shall be credited under this Plan as of the Merged Employee's Employment Commencement Date. For purposes of this Section 3.10(b):

  (a) **"Merged Employee"** shall mean an Employee who immediately prior to his Employment Commencement Date, was employed by a Merged Employer.

  (b) **"Merged Employer"** shall mean an entity that was acquired by (whether as a slock or asset acquisition) or merged into the Plan Sponsor or another Employer who has adopted this Plan.

  (3) **"Merger Date"** shall mean the date designated in any agreement or contract of merger, sale or acquisition as the date on which the acquisition of the Merged Employer by the Plan Sponsor or Employer is considered complete.

3.11 Special Rules for Crediting Service. In crediting Service under the Plan for any Employee who is or was employed by a Participating Employer the rules for crediting Service as set forth in each respective Participation Agreement or as set forth in this Section shall apply. When crediting service under the Plan for Employees who are employed by certain members of an Affiliated Group or who are former employees of entities acquired by the Employer, the following special rules for crediting service shall apply:

(a) **Discount Corporation of New York:** Each Employee of Discount Corporation of New York ("Discount") who, as of August 10, 1993, satisfied the Plan's minimum age and service requirements shall be eligible to participate in the Plan on August 11, 1993 (which shall be deemed a "Plan Entry Date" for this purpose) or on any subsequent Plan Entry Date if employed by the Employer or any member of the Affiliated Group who participate in the Plan on that date. All service of the Employee with Discount and any member of the affiliated Group shall be credited for purposes of the above participation rule. For purposes of benefit accrual, no prior service with Discount shall be taken into account.

3.12 Qualified Military Service Rules: The following rules shall apply to an Employee who has Qualified Military Service while employed by the Employer.

(a) **"Qualified Military Service"** shall mean service by an Employee in the uniformed services of the United States (as defined in chapter 43 title 38 of the United States Code), provided:

  (a) the employee provides advance notice of the service to the Zions Employer, when such notice is practical;

  (b) the employee is not dishonorably discharged;

  (c) the employee is re-employed by the Zions Employer within 30 days following the completion of the service or any longer period during which his or her or her right to re-employment is protected by law; and

  (d) the cumulative length of the Employee's absence from employment due to the service does not exceed five years.

(b) An Employee's Qualified Military Service shall be treated as service for the Employer for all purposes under the Plan. An Employee's imputed Hours of Service during Qualified Military Service shall be:

  (a) the Hours of Service the Employee would have worked but for his or her or her Qualified Military Service; and

  (2) if the Hours of Service cannot reasonably be determined, the Hours of Service the Employee would have worked had he or she worked during his or her or her Qualified Military Service at his or her or her average rate during the 12 month period immediately preceding his or her or her Qualified Military Service or, if shorter, his or her or her entire period of employment preceding the Qualified Military Service.

For vesting purposes under Section 11.01 the Employee shall also be credited with Hours of Service (without regard to whether the Employee has returned to service with the Employer) if the Employee incurs a Disability while performing the Qualified Military Service on or after January 1, 2007, and cannot return to service with the Employer as a consequence of the Disability.

(c) Compensation (as defined in Section 2.11) shall include imputed compensation during an Employee's Qualified Military Service. Imputed compensation shall be:

  (c) the compensation the Employee would have received but for his or her or her Qualified Military Service; or

  (ci) if the compensation is not reasonably certain, the compensation the Employee would have received had he or she received compensation during his or her qualified Military Leave at his or her or her average rate during the 12 month period immediately preceding his or her or her Qualified Military Service, or, if shorter, his or her or her entire period of employment preceding his or her or her Qualified Military Service.

(ci) A Participant who returns to employment after any Qualified Military Service shall be entitled to make additional Elective Deferrals to the Plan up to the maximum amount of the Elective Deferrals the Participant would have been permitted to make based upon his or her or her imputed compensation during the Qualified Military Service, taking into account any other Elective Deferrals made by the Participant during the Qualified Military Service. The period during which the additional Elective Deferrals may be made shall commence on the date the Participant returns to employment and shall extend until the expiration of the lesser of (i) the period which is three times the length of the Participant's Qualified Military Service or (ii) five years. Payment of Matching Contributions attributable to Elective Deferrals of imputed compensation during Qualified Military Service shall be made at the same time as other Matching Contributions, based on the time the Elective Deferrals are actually paid to the Plan. The Matching Contributions need not include earnings that would have accrued had the Participant continued performing his or her or her duties for the Employer during Qualified Military Service.

(cii) Elective Deferrals of a Participant's imputed compensation during his or her or her Qualified Military Service shall be treated as Elective Deferrals and as K-Test Contributions with respect to the Plan Year to which the imputed compensation relates, if this Plan Year is not the same Plan Year in which the Elective Deferrals are received by the Plan. Any Matching Contributions based on Elective Deferrals of a Participant's imputed compensation during his or her or her Qualified Military Service shall be treated as M-Test Contri-

butions with respect to the Plan Year to which the Elective Deferrals relate, if this Plan Year is not the same Plan Year in which the Elective Deferrals are received by the Plan.

(f) Repayment of any Participant loan from the Plan shall be suspended during Qualified Military Service and the loan repayment period shall be extended by the length of the Qualified Military Service. Interest shall continue to accrue on the loan during the suspension period at a rate equal to the lesser of the current rate on the loan or the maximum rate allowed by applicable law. Upon recommencing loan payments the additional accrued interest shall be taken into account in determining the total amount remaining and due on the loan.

(g) Effective June 1, 2007, a Participant who is eligible under this Section 3.12 to make an Elective Deferral to the Plan upon return from Qualified Military Service may designate any portion thereof as a Roth Elective Deferral and may designate the Plan Year for which the Roth Elective Deferral is to be credited, which may include a Plan Year that is before the Plan Year in which the Roth Elective Deferral is actually made. In that event the Plan shall treat the Roth Elective Deferral as having been made in the Plan Year of Qualified Military Service to which the contribution relates (but not earlier than January 1, 2006), as designated by the Participant. A Participant may also identify the Plan Year of Qualified Military Service for which a Roth Elective Deferral is deemed made for other purposes as well, such as for entitlement to an Employer Matching Contribution, and the determination of the five-taxable-year period of participation rule. In the absence of any designation, for purposes of determining the first year of the five years of participation rule under Code §402A(d)(2)(B), the Roth Elective Deferral shall be treated as relating to the first year of Qualified Military Service for which the Participant could have made a Roth Elective Deferral under the Plan, but not earlier than January 1, 2006. Notwithstanding the foregoing, each Participant who may make an Elective Deferral to the Plan under this Section 3.12 and who makes an Elective Deferral shall be deemed to have made a Roth Elective Deferral to the Plan from his or her Elective Deferral contributions in the sum of $1.00, unless the Participant has specifically elected a larger Roth Elective Deferral contribution amount. The Roth Elective Deferral shall be deemed made to the Plan for the earliest possible Plan Year, according to the rules of this subsection.

(h) If is determined at the time the Employee commences Qualified Military Service that the length of the service will be either (i) more than 179 days in duration or (ii) of indefinite duration and if the Employee is called to such Qualified Military Service because the Employee is a member of a military reserve unit ordered to active duty after September 11,2001, then notwithstanding the provisions of Section 8.01, the Employee may elect to withdraw any amount in the Employee's Elective Deferral and Matching Contribution Accounts. Any such withdrawal must be made after the date of the order or call to active duty and prior to the end or close of the active duty period. The withdrawal shall also be deemed to be an Eligible Rollover Distribution under Section 11.04, except that it shall not be subject to any income tax withholding requirement that may otherwise apply under Code §72(t).

(i) Effective for Plan Years commencing after December 31, 2008, an Employee who commences Qualified Military Service which will exceed 30 days in length may be deemed, if so elected by the Employee solely for the purpose of receiving a distribution from the Plan, to have incurred a Termination of Employment. If an Employee returns to employment after receiving a distribution from the Plan on account of an election made pursuant to this subsection, but the Employee has not satisfied the requirements of subsection (h) above, then the Employee may not make Elective Deferrals or Roth Elective Deferrals to the Plan until the expiration of 6 months from the date of the last distribution from the Plan made on account of this subsection.

3.13 Elapsed Time Method for Determining Years of Vesting Service. Effective January 1, 2006, the Plan adopts the Elapsed Time method for determining Years of Vesting Service. This method of counting Service does not track actual Hours of Service worked by an Employee, but instead measures the length of time an individual is an Employee of a Zions Employer.

(a) In determining Years of Vesting Service for an Employee, the following shall apply:

  (a) An Employee's Service taken into account for purposes of vesting shall be the time period beginning with the Employee's Employment Commencement Date and ending on the date the Employee incurs a Termination of Employment.

  (b) An Employee who incurs a Termination of Employment by reason of resignation, discharge or retirement and who then performs an Hour of Service within 12 months of that date will be credited with Service for the period in which he was not employed. An Employee who is absent for any other reason and then resigns, is discharged or retires and who preforms an Hour of Service within 12 months of his initial absence will be credited with Service for the period in which he was not employed, provided the service is not counted under the first sentence of this subsection. An Employee who is absent from Service with the Employer for over 12 months shall receive no credit for any absence following the date the Employee incurs the Termination of Employment.

  (c) In determining an Employee's Years of Vesting Service fractional years will be rounded to the nearest one twelfth of a year. Periods of Service will be based on full calendar months, crediting an Employee with a full month if the Employee works at least one Hour of Service during the month. An Employee with more than one period of Service will have all such periods aggregated and the Employee's total Service will be used for purposes of determining Years of Vesting Service.

  (d) For the Plan Year commencing January 1, 2006 only, the Plan shall credit Vesting Service according to the following rules:

    (a) For each Employee of a Zions Employer who was employed by the Zions Employer on December 31, 2005, and continued to be employed on January 1, 2006, the Plan shall either apply the rules of this Section 3.13, treating January 1, 2006 as the Employment Commencement Date, or apply the previous vesting credit rules of this

Plan without regard to this Section 3.13, crediting the Employee with Vesting Service credit according to the method that provides the greater credit.

  (2) For each Employee of a Zions Employer whose Employment Commencement Date was after January 1, 2006, but prior to July 24, 2006, the Plan shall either apply the rules of this Section 3.13, or apply the previous vesting credit rules of this Plan without regard to this Section 3.13, crediting the Employee with Vesting Service credit according to the method that provides the greater credit.

  (3) For each Employee of a Zions Employer whose Employment Commencement Date is after July 23, 2006, the Plan shall apply the rules of this Section 3.13 only.

ARTICLE IV
ELIGIBILITY AND PARTICIPATION

4.1 Age and Service Requirements: From and after the Effective Date an Eligible Employee shall be eligible initially to participate in this Plan on the first Entry Date coincident with or next following the date on which he satisfies the following requirements:

(a) attains age 21, and

(b) is employed on the Entry Date.

An Eligible Employee who has satisfied the requirements above shall commence participation in the Plan on the applicable Entry Date. An Eligible Employee who has attained age 21 and is employed on the Effective Date shall participate in this Plan on the Effective Date, without regard to the other requirements of this Section. Prior to the Effective Date Eligible Employees shall participate as provided in the Prior Plan.

An Eligible Employee who becomes a Participant and who also executes a Salary Deferral Agreement in the manner set forth in procedures issued by the Plan Administrator (which may include use of electronic technologies) shall be considered to be an active Participant. An Eligible Employee shall not be required to execute a Salary Deferral Agreement in order to be considered a Participant in the Plan, however, as a condition to participation in Salary Deferral Contributions the Eligible Employee shall first execute a written Salary Deferral Agreement in the manner set forth in procedures issued by the Plan Administrator, An Employee who is a Participant in a Predecessor Plan on the day before the effective date of the merger of the Predecessor Plan into this Plan shall continue as a Participant in this Plan on the effective date of merger.

4.2 Eligibility Information: As soon as practicable after the date each Employee's Employment Commencement Date, the Plan Administrator shall verify the Entry Date when the Employee shall first become eligible to participate in the Plan and shall notify each Employee of his/her eligibility, and of any application or other requirements for participation.

4.3 Information to be Provided by Employee: At the request of the Plan Administrator, each Eligible Employee shall furnish such information as is not available from the Employer. As a condition to participation in making Elective Deferrals to the Plan, the Employee shall first complete, execute and deliver a written Salary

Deferral Agreement as reasonably required by the Plan Administrator.

4.4 Reclassification of an Eligible Employee or Excluded Employee: Any Eligible Employee, whether or not he has previously participated in the Plan, who was previously classified as an Excluded Employee and is reclassified as an Eligible Employee shall be eligible to enter the Plan as an active Participant on the later of the date of his reclassification or the Entry Date he would otherwise join if he had not been classified as an Excluded Employee, provided he has otherwise satisfied the requirements of Section 4.1.

Any Participant who is reclassified as an Excluded Employee shall be treated as an Excluded Employee on the date of reclassification for purposes of determining his eligibility for any Employer Contributions in the Plan Year of reclassification. If, prior to the date of reclassification, the Participant had executed a Salary Deferral Agreement and is deferring Compensation in the Plan Year in which the reclassification occurs, the Participant's Salary Deferral Agreement and all Elective Deferrals thereunder shall automatically terminate as of the last day of the payroll period that commenced immediately prior to the date the Participant is reclassified as an Excluded Employee.

4.5 Re-employment and Commencement of Participation: An Eligible Employee who had met the requirements of Section 4.1(a) and (b) but terminated employment prior to his Entry Date shall be eligible to become a Participant on the date he is re-employed by the Employer, but in no event earlier than the Entry Date he would have joined had he not ceased employment. An Eligible Employee who was a Participant shall again become a Participant on the date he is re-employed by the Employer.

4.6 No Waiver of Participation: An Eligible Employee who has satisfied all criteria for participation in this Plan shall be deemed a Participant and may not waive or reject participation.

4.7 Effect of Participation: A Participant who has satisfied all eligibility criteria and commenced active participation in this Plan shall be conclusively deemed to have assented to this Plan and to any subsequent amendments, and shall be bound thereby with the same force and effect as if he had formally executed this Plan.

ARTICLE V
PARTICIPANT AND EMPLOYER CONTRIBUTIONS

5.1 Elective Deferrals:

(a) Each Participant may elect to defer any percentage of the Participant's Compensation described in subsection (1) below, subject to a minimum of 1% of the Participant's Compensation per pay period. The maximum percentage amount shall be 50% of the Participant's Compensation. Effective for Plan Years commencing on or after July 24, 2006, the maximum percentage amount shall be 80% of the Participant's Compensation. The amount of the deferral shall be contingent on the Participant electing and authorizing the Elective Deferral amount through a Salary Deferral Agreement. The Salary Deferral Agreement and the Participant's authorization thereunder may be evidenced by a document executed by the Participant and filed with the Administrator in the manner prescribed for this purpose, which may include a Salary Deferral Agreement completed and executed by the Participant through any approved electronic means. The Salary Deferral Agreement shall be subject to the following rules:

- (a) The Salary Deferral Agreement shall apply to each payroll period during which it is in effect and has not been rescinded. The Salary Deferral Agreement shall be applicable to all forms of the Participant's Annual Compensation, regardless of how paid or characterized, and effective June 1, 2007, shall designate Elective Deferrals as pre-tax Elective Deferrals, Roth Elective Deferrals or both, in the percentage specified. An Elective Deferral contribution to the Plan shall be treated as a Roth Elective Deferral only when so specifically designated by the Participant in advance of the date the Roth Elective Deferral is first made to the Plan.
- (b) The amount by which the Participant's Annual Compensation is reduced under the Salary Deferral Agreement may be changed (increased, decreased or ceased and effective June 1, 2007, change between pre-tax and Roth Elective Deferrals) by a Participant at any time during the Plan Year. A change shall be evidenced by a written document, by oral instructions directly from the Participant with written confirmation in accordance with rules and procedures established by the Administrator or through any electronic means or method approved by the Plan Administrator.
- (c) A Salary Deferral Agreement and or an amendment to a Salary Deferral Agreement shall be effective as soon as Administratively Feasible after the Salary Deferral Agreement or the amendment is executed, orally authorized or electronically completed by the Participant and received and confirmed by the Administrator.
- (d) The Administrator may amend or revoke a Salary Reduction Agreement with any Participant at any time if the Administrator determines that a revocation or amendment is necessary to ensure that the Participant's Elective Deferral for any Plan Year will not exceed any Plan limitations.
- (5) The Administrator may revoke its Salary Reduction Agreements with all Participants or amend its Salary Reduction Agreements with all Participants on a uniform basis if it determines that such action is necessary in order to comply with the terms of the Plan or any applicable law or regulation.

(5) The Elective Deferral amounts designated by the Participant in the Salary Deferral Agreement shall be withheld and contributed to the Plan by the Employer without regard to Net Profits to the Participant's Elective Deferral Account. Unless otherwise approved by the Plan Administrator, Elective Deferrals made through payroll deductions shall be pursuant to the Salary Deferral Agreement executed by the Participant or orally authorized by the Participant and confirmed by the Plan Administrator or authorized by any other electronic means or method approved by the Plan Administrator.

(6) Commencing January 1, 2002, and for all Plan Years thereafter an Employee who is eligible to make Elective Deferrals under this Plan and who attains age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Code §414(v). Catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code §§402(g) and 415. The Plan Administrator shall not treat catch up contributions as failing to satisfy any provisions of the Plan implementing the requirements of Code §§401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable. Effective June 1, 2007, Catch-up contributions may consist of either pre-tax or Roth Elective Deferrals.

5.2 Payment to Trustee: The Employer shall transmit to the Trustee the amounts withheld by it pursuant to Section 5.1 above as soon as Administratively Feasible, but in no event later than the fifteenth (15th) business day of the month following the month in which the amounts are withheld or received by the Employer. However, the Employer shall not transmit to the Trustee any amounts withheld by it during the Plan Year pursuant to a deferral election under Section 5.1, which in the Plan Administrator's opinion would cause the Plan to fail to meet the limitations described in Section 5.10 for that Plan Year. Such amounts withheld and not transmitted to the Trustee shall be returned by the Employer to the respective Participants.

5.3 Suspension of Deferrals: A Participant may notify the Plan Administrator electronically, orally (with written confirmation) or in writing of his intention to suspend his election to have a portion of his Annual Compensation deferred, The suspension shall be effective as soon as Administratively Feasible after the date the notice of suspension is received shall apply

to each payroll period thereafter, until a new Salary Deferral Agreement is entered into by the Participant. The Participant shall be considered a Participant hereunder for all other purposes if his employment continues, however, he shall not be considered to be an active Participant.

5.4 After-tax Contributions by Participants: From and after the Effective Dale no Participant shall be permitted or required to make after-tax or Voluntary Contributions to the Plan,

5.4A Roth Elective Deferrals: Effective June 1, 2007, and for each Plan Year thereafter, the Plan will accept Roth Elective Deferrals made on behalf of Participants. A Participant's Roth Elective Deferrals will be allocated to a separate account maintained for such deferrals as described in this Section 5.4A. Unless specifically slated otherwise, Roth Elective Deferrals will be treated as Elective Deferrals for all purposes under the Plan, including the determination and allocation of Employer Matching Contributions. Notwithstanding any other provision of the Plan to the contrary, all issues involving contribution and allocation of Roth Elective Deferrals and earnings thereon and distribution of Roth Elective Deferrals shall be determined according to the provisions of this Section 5.4A, unless specifically provided otherwise in this Section.

(a) Contributions and withdrawals of Roth Elective Deferrals will be credited and debited solely to the Roth Elective Deferral Account maintained for each Participant. The Plan will maintain a record of the amount of Roth Elective Deferrals in each Participant's Account. The Plan shall employ the same procedures set forth in Section 5.1 in determining when and how a Participant may elect to make or change an election of Roth Elective Deferrals, and may provide for designation by the Employee of pre-tax and Roth Elective Deferrals in the same Salary Deferral Agreement. For purposes of implementing this provision the term "Elective Deferrals" in Section 5.1 shall be interpreted to mean both pre-tax and Roth Elective Deferrals, as appropriate.

(b) Gains, losses, and other credits or charges must be separately allocated on a reasonable and consistent basis to each Participant's Roth Elective Deferral Account and to the Participant's other Accounts under the Plan. For this purpose the Plan may apply the Account adjustment provisions of Section 6.3 to the Roth Elective Deferral Account.

(c) No contributions other than Roth Elective Deferrals and properly attributable earnings shall be credited to each Participant's Roth Elective Deferral Account.

(d) Notwithstanding Section 11.4, a direct rollover of a distribution from the Roth Elective Deferral Account will only be made to another Roth elective deferral account under an applicable retirement plan described in Code §402A(e)(l) or to a Roth IRA described in Code §408A, and only to the extent the rollover is permitted under the rules of Code §402(c).

(e) Notwithstanding Section 5.5, the Plan will accept a rollover contribution to the Roth Elective Deferral Account only if it is a direct rollover from another Roth elective deferral account under an applicable retirement plan described in Code §402A(e)(1) and only to the extent the rollover is permitted under the rules of Code §402(c). Effective for any distribution from the Plan first commenced after September 27, 2010, the Plan will also accept a rollover contribution to the In-plan Roth Rollover Account, provided that it is a direct rollover of amounts previously held in the Participant's Account in the Plan (excluding amounts held in the Participant's Roth Elective Deferral Account). The Plan will accept the rollover only if it is on account of a distribution that complies with all Plan distribution rules and is an Eligible Rollover Distribution within the meaning of Section 11.4. The Participant's election to make an In-Plan Roth Rollover shall be irrevocable, once it has been accepted and so accounted for by the Plan.

(f) The Plan will not provide for a direct rollover for distributions from a Participant's Roth Elective Deferral Account if the amount of the distributions that are eligible rollover

distributions are reasonably expected to total less than $200 during a year. In addition, any distribution from a Participant's Roth Elective Deferral Account shall not be taken into account in determining whether distributions from a Participant's other Accounts are reasonably expected to total less than $200 during a year. However, eligible rollover distributions from a Participant's Roth Elective Deferral Account shall be taken into account in determining whether the total amount of the Participant's Account balances under the Plan exceeds $1,000 for purposes of mandatory distributions from the Plan. Any provision of the Plan that allows a Participant to elect a direct rollover of only a portion of an eligible rollover distribution but only if the amount rolled over is at least $500 shall be applied by treating any amount distributed from the Participant's Roth Elective Deferral Account as a separate distribution from any amount distributed from the Participant's other Accounts in the Plan, even if the amounts are distributed at the same time.

(g) In the case of any distribution of excess contributions under Section 5.12, a Highly Compensated Employee shall be permitted to designate the extent to which the excess amount is composed of pre-tax Elective Deferrals and Roth Elective Deferrals but only to the extent such types of deferrals were made for the year. If the Highly Compensated Employee does not designate which type of Elective Deferrals are to be distributed, the Plan will distribute pre-tax Elective Deferrals first.

(h) In the case of any distribution to a Participant under Articles IX or XI that is other than a lump sum distribution, the Participant shall be permitted to designate the extent to which the distribution is composed of Roth Elective Deferrals and other contributions, but only to the extent the Participant's Account includes Roth Elective Deferrals. If the Participant does not designate the composition of Roth Elective Deferrals in a distribution, the Plan will distribute Roth Elective Deferrals until the Participant's Roth Elective Deferral Account is exhausted prior to distributing any other contributions.

(i) For purposes of this Section 5.4A, a Roth Elective Deferral is an Elective Deferral that is:

  (g) Designated irrevocably by the Participant at the time of the cash or deferred election as a Roth Elective Deferral that is being made in lieu of all or a portion of any pre-tax Elective Deferrals the Participant is otherwise eligible to make under the Plan; and

(h) Treated by the Employer as includible in the Participant's income at the time the Participant would have received that amount in cash if the Participant had not made a cash or deferred election.

5.5 Rollover Contributions by Participants: A Participant (or an Employee who is expected to become a Participant) may make a rollover contribution directly to this Plan of an "eligible rollover distribution," as that term is defined under Code §401(a)(31)). The Plan will accept participant rollover contributions and/or direct rollovers of distributions made after December 31, 2001, from any qualified plan described in Code §401(a) or Code §403(a), an annuity contract described in Code §403 (b) or an eligible plan under Code §457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of
a state. The Plan will also accept a participant rollover contribution of the portion of a distribution from an individual retirement account or annuity described in Code §408(a) or (b) that is eligible to be rolled over and would otherwise be includable in gross income. The Plan will not accept rollovers that include after-tax employee contributions. The rollover amount shall be credited to his Participant Rollover Contribution Account, provided:

(a) The Participant provides adequate evidence to the Plan Administrator that the amount satisfies the requirements of Code §402(c) regarding amounts that may be rolled over;

(b) If the amount is rolled over indirectly to this Plan through an individual retirement account, annuity, or bond, the amount does not include life insurance policies, amounts contributed (or deemed to have been contributed) by the Participant or amounts distributed from a Plan not described above; and

(c) It is received by this Plan as a direct transfer pursuant to Code §402(e)(6) or rolled over after distribution to the Participant within 60 days following its distribution.

5.6 Safe Harbor Employer Matching Contributions: For each Plan Year the Employer may contribute to the Plan an amount, determined without regard to Net Profits, which will be sufficient to credit the Employer Matching Contribution Account of each Participant who is a Non-Highly Compensated Employee and who satisfies the requirements of Section 6.4, with amounts that satisfy the Employer's Matching Contribution percentage as determined by the Employer on a discretionary basis for the Plan Year. In no event however, shall the Employer Matching Contribution for any Participant who is a Non-Highly Compensated Employee in a Plan Year, when determined as a percentage of the Participant's Compensation for the Plan Year, ever be less than the percentage amounts shown in the following table:

Participant's Elective Deferral percentage:	Percentage of Employer Matching Contribution:
—%	—%
1%	1%
2%	2%
3%	3%
4%	3.5%
5%	4%

The Employer may also contribute to the Plan an amount, determined without regard to Net Profits, that will be sufficient to credit the Employer Matching Contribution Account of each Participant who is a Highly Compensated Employee and who satisfies the requirements of Section 6.4, with amounts that satisfy the Employer's Matching Contribution percentage as determined by the Employer on a discretionary basis for the Plan Year. In no event however, shall the rate of Matching Contributions with respect to Elective Deferrals made by any Highly Compensated Employee exceed the rate of Matching Contributions with respect to Elective Deferrals made by any Participant who is a Non-Highly Compensated Employee. Excess Matching Contributions for Employees of the Sponsoring Employer or a Participating Zions Employer shall be determined each Plan Year by the Sponsoring Employer and each Participating Zions Employer respectively, or shall be as set forth in the Supple-

mental Participation Agreement executed by the Participating Zions Employer. If the Employer or Participating Zions Employer makes a Matching Contribution in excess of that set forth in the table in this Section, in no event shall the rate of Matching Contributions increase as the rate of the Participant's Elective Deferrals increase.

The Employer Matching Contribution amount shall be determined solely by reference to the ratio percentage of the Participant's Elective Deferral (and effective June 1, 2007, the aggregate of the Participant's pre-tax Elective Deferrals and Roth Elective Deferrals) compared to the aggregate of the forms of the Participant's Compensation that are subject to the Salary Deferral Agreement as specified in Section 5.1. If the Employer makes a Matching Contribution to the Plan at any time during the Plan Year (such as on a calendar quarter basis), any limit on the amount of Employer Matching Contribution shall not be determined by reference to Annual Compensation for the Plan Year, but by reference to Compensation paid only during the period to which the Matching Contribution relates. Notwithstanding the previous sentence, no contribution in excess of the maximum amount that would constitute an allowable deduction for federal income tax purposes under the applicable provisions of the Code, as now in force or hereafter amended, shall be required to be made by the Employer under this Section, Effective January 1, 2006, and for all Plan Years thereafter the Employer Matching Contribution amount shall be based on the total Elective Deferral (and effective June 1, 2007, the aggregate of the Participant's pre-tax Elective Deferrals and Roth Elective Deferrals) and the total Compensation of the Participant for the Plan Year without regard to when during the Plan Year the Participant's pretax Elective Deferrals and Roth Elective Deferrals have been made. Notwithstanding the previous sentence, no contribution in excess of the maximum amount that would constitute an allowable deduction for federal income lax purposes under the applicable provisions of the Code, as now in force or hereafter amended, shall be required to be made by the Employer under this Section.

The Employer Matching Contribution may be made in cash or in kind, provided however, that if the Matching Contribution is made in cash the Plan shall immediately acquire Employer Securities with the entire amount of the contribution and if the Matching Contribution is made in kind, it shall be made in the form of Employer Securities only.

5.7 Employer Non-Elective Contributions: The Employer may contribute, without regard to Net Profits, an amount determined by its Board of Directors as an Employer Non-Elective Contribution. The Employer may make the Non-Elective Contribution in cash or in kind, provided however, that if the Non-Elective Contribution is made in cash the Plan shall immediately acquire Employer Securities with the entire amount of the contribution and if the Non-Elective Contribution is made in kind, it shall be made in the form of Employer Securities only. The Employer reserves the right to increase or decrease the amount from year to year of the Non-Elective Contribution, as determined by the Board of Directors. Notwithstanding the previous sentence, no contribution in excess of the maximum amount that would constitute an allowable deduction for federal income tax purposes under the applicable provisions of the Code, as now in force or hereafter amended, shall be required to be made by the Employer under this Section.

The amount of the contribution to be credited to the Employer Non-Elective Contribution Accounts of the Participants may be stated in terms of a gross contribution, in which case the amount shall be reduced by any non-vested forfeitures from Employer Non-Elective Contribution Accounts of the Participants to be allocated during the Plan Year pursuant to Section 11.5; or the amount may be
stated in terms of a net contribution, in which case the amount shall be in addition to any such non-vested forfeitures. In the absence of a direction as to whether the amount of the contribution is in terms of a gross contribution or a net contribution, it shall be deemed to be a gross contribution.

5.8 Time and Method of Payment: All payments of Employer Matching and Non-Elective Contributions shall be made directly to the Trustee and shall be paid no later than the lime prescribed by law (including any extensions) for filing the Employer's federal income tax return for the Plan Year for which they are made. The Employer may in its sole discretion, at any time during the Plan Year, make one or more partial payments to the Trustee on an estimated basis. Any amount so paid in advance shall be applied against the amount thereafter determined to be payable by the Employer and shall be credited by the Plan Administrator to the Participants' Employer Contribution Accounts as of the end of the calendar quarter for which the payment is made.

5.9 Employer Contribution Accounts: The Plan Administrator shall establish and maintain an Employer Matching Contribution Account, as defined in Section 2.1 (c) and an Employer Non-Elective Contribution Account as defined in Section 2.1 (d) for each Participant eligible to receive an Employer Matching Contribution and an Employer Non-Elective

Contribution. The establishment of the accounts is for record keeping purposes only, and a physical segregation of assets shall not be required.

5.10 Limitations on Contributions: All Elective Deferral Contributions to this Plan shall be subject to the limitations in subsection (a). Notwithstanding any other provisions of this Plan, if for any Plan Year the Elective Deferral and Matching Contributions to the Plan do not satisfy the requirements of Code §§401(k)(12) and 401 (m)(11), then the Elective Deferral and Matching Contributions to this Plan shall be subject to the further limitations in subsections (b) and (c) below.

(a) The total amount of a Participant's Elective Deferrals during any calendar year shall not exceed $11,000 which amount shall be adjusted annually, consistent with the provisions of Code §402(g) and thereafter indexed at the same time and in the same manner as the dollar limitation for defined benefit plans in Code §415(b)(l)(A). For this purpose a Participant's Elective Deferrals to this Plan plus the Participant's elective deferrals pursuant to any other Code §401(k) arrangement, elective deferrals under a simplified employee pension plan and salary reduction contributions to a tax-sheltered annuity, irrespective of whether the Employer or any member of an Affiliated Group to which the Employer belongs maintains the arrangement, plan or annuity, shall be aggregated.

(b) The K-Test Average Contribution Percentage of Participants who are Highly Compensated Employees shall not exceed in any Plan Year the greater of:

  (a) The K-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees multiplied by 1.25; or

  (b) The lesser of the K-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees multiplied by two (2) or the K-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees plus two.

(c) The M-Test Average Contribution Percentage for Participants who are Highly Compensated Employees shall not exceed in any Plan Year the greater of:

  (c) The M-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees multiplied by 1.25; or

  (ci) The lesser of the M-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees multiplied by two (2) or the M-Test Average Contribution Percentage for the prior Plan Year of Participants who are Non-Highly Compensated Employees plus two.

For purposes of applying the tests in (b) and (c) above in any Plan Year, the K-Test Average Contribution Percentage and the M-Test Average Contribution Percentage for Participants who are Non-Highly Compensated Employees shall be based on the prior Plan Year. The Employer may not aggregate this Plan with any other plan when applying the tests in (b) and (c) above.

5.11 Excess Contributions: In accordance with the limitations on contributions described in Section 5.10, the following amounts shall be treated as excess contributions under this Plan:

(a) Excess Deferrals: with respect to any calendar year, amounts identified as Excess Deferrals, whether determined by the Administrator or designated by a Participant in writing no later than March 1 following the end of the calendar year, in accordance with such procedures as the Plan Administrator shall specify, less any Excess K-Test Contributions previously distributed or recharacterized for the Plan Year beginning in the calendar year in which the Excess Deferral is made, pursuant to Section 5.12(b).

(b) Excess K-Test Contributions: with respect to any Plan Year, the excess of the aggregate amount of K-Test Contributions actually made on behalf of Highly Compensated Employees for such Plan Year over the maximum amount of such contributions permitted under Section 5.10(b). The Excess K-Test Contributions of an individual Highly Compensated Employee shall be determined (i) by calculating the total dollar amount resulting from a reduction of the K-Test Contributions made on behalf of Highly Compensated Employees in order of the K-Test Contribution Percentages, beginning with the highest percentage, until the limitations of Section 5.10(b) are met, and (ii) by reducing the K-Test Contributions made on behalf of Highly Compensated Employees in order of the dollar amount of K-Test Contributions for each Highly Compensated Employee, beginning with the highest dollar amount, and subtracting such amounts from the total dollar amount determined in (i) above until the total dollar amount is exhausted. The Excess K-Test Contributions allocated to a Participant shall be reduced by any Excess Deferrals previously distributed for the calendar year ending with or within the Plan Year in which the Excess K-Test Contributions arose, pursuant to Section 5.12(a).

(c) Excess M-Test Contributions: with respect to any Plan Year, the excess of the aggregate amount of M-Test Contributions actually made on behalf of Highly Compensated Employees for such Plan Year over the maximum amount of such contributions permitted under Section 5.10(c). Effective January 1, 1997, the Excess M-Test Contributions of an individual Highly Compensated Employee shall be determined (i) by calculating the total

dollar amount resulting from a reduction of the M-Test Contributions made on behalf of Highly Compensated Employees in order of the M-Test Contribution Percentages, beginning with the highest percentage, until the limitations of Section 5.10(c) are met, and (ii) by reducing the M-Test Contributions made on behalf of Highly Compensated Employees in order of the dollar amount of M-Test Contributions for each Highly Compensated Employee, beginning with the highest dollar amount, and subtracting such amounts from the total dollar amount determined in (i) above until the total dollar amount is exhausted.

5.12 Correction of Excess Contributions: The Plan provides the following methods for correcting excess contributions as described in Section 5.11;

(a) Excess Deferrals: The Plan Administrator shall direct the Trustee to distribute to a Participant from his Participant Elective Deferral Account an amount equal to the Participant's Excess Deferral plus income, if any, allocable thereto. Such distribution shall be designated by the Plan Administrator as a distribution of an Excess Deferral and shall be made not earlier than the dale on which the Trustee receives the Excess Deferral and not later than the first April 15 following the end of the calendar year in which the Excess Deferral is made.

(b) Excess K-Test Contributions: The Plan Administrator shall direct the Trustee to distribute to a Participant his Excess K-Test Contribution plus income, if any, allocable thereto. The distribution shall be designated by the Plan Administrator as a distribution of an excess contribution and shall be made any time during or after the Plan Year in which the excess contribution arose, but within 12 months after the end of the Plan Year.

If the Employer has made a Matching Contribution attributable to any portion of the Participant's Excess K-Test Contribution distributed to the Participant pursuant to the above, the Plan Administrator shall treat the Matching Contribution as a forfeiture. The forfeited amount shall be used to reduce the Employer's Matching Contribution otherwise required for the Plan Year or for any subsequent Plan Year.

(c) Excess M-Test Contributions: The Plan Administrator shall direct the Trustee to hold the excess M-Test Contribution Amount and shall use this Amount to reduce any future Matching Contribution obligation of the Employer to the Plan.

For purposes of the above, income shall include realized and unrealized gains and losses for the Plan Year and for the period from the end of the Plan Year to the date of distribution (the "gap period") and shall be allocated to excess contributions in accordance with all appropriate Code and Regulations provisions issued by the Secretary. Distributions of excess contributions pursuant to the above shall be made without regard to any consent by the Participant or Spouse otherwise required under this Plan. With the exception of distributions attributable to excess K-Test Contributions for the Plan Years commencing in 2006 and 2007, the Plan specifically elects not to include income for the period from the end of the Plan Year to the date of distribution (the "Gap Period") when making any distribution under this Section. Distributions attributable to excess K-Test Contributions for the Plan Years commencing in 2006 and 2007 shall be adjusted for income (gain or loss), including an adjustment for income during the Gap Period. The Plan Administrator may, in its discretion, use any reasonable method for computing the income allocable to excess K-Test Contributions, provided that the method does not violate Code §401(a)(4), is used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and is used by the Plan for allocating income to Participant's Accounts. The Plan need not allocate income to excess K-Test Contributions that is accrued within seven days before the date of distribution.

In lieu of the reasonable method provided above, the Plan Administrator may use the safe harbor method to determine income on excess K-Test Contributions for the Gap Period. Under the safe harbor method, income on excess K-Test Contributions for the Gap Period is equal to 10% of the income allocable to excess K-Test

Contributions for the Plan Year, multiplied by the number of calendar months that have elapsed since the end of the Plan Year. Income allocable to K-Test Contributions shall be determined by multiplying the income for the Plan Year allocable to the Elective Deferrals and other amounts taken into account under the K-Test described in Section 5.10 (including contributions made for the Plan Year), by a fraction, the numerator of which is the excess K-Test Contributions for the Participant for the Plan Year, and the denominator of which is the sum of the:

(d) account balance attributable to Elective Deferrals and other amounts taken into account under the K-Test as of the beginning of the Plan Year, and
(di) any additional amount of such contributions made for the Plan Year.

For purposes of calculating the number of calendar months that have elapsed under the safe harbor method, a corrective distribution that is made on or before the 15th day of a month is treated as made on the last day of the preceding month and a distribution made after the 15th day of a month is treated as made on the last day of the month.

ARTICLE VI
ALLOCATIONS TO ACCOUNTS

6.1 Revaluation of Assets: Not less frequently than as of the Annual Valuation Date each year, the Plan Administrator shall re-value the net assets of all Participants' General Investments Accounts and Employer Securities Accounts in the Investment Fund. The valuation shall determine the current fair market value. At the Plan Administrator's discretion, applied on a consistent basis, the Plan Administrator may similarly re-value the Investment Fund at the end of a semi-annual, quarterly, monthly or more frequent period, which may be as frequent as the close of each business day. The last day of each valuation period shall be referred to as an Interim Valuation Date. The net investment income or loss on the Investment Fund since the previous Annual or Interim Valuation Date shall then be determined. An independent appraiser meeting requirements similar to those prescribed by Treasury regulations under Code §170(a)(1) must perform all valuations of Employer Securities that are not readily tradeable on an established securities market. The valuation requirement of the immediately preceding sentence applies to all Employer Securities acquired by the Plan.

6.2 Allocation of Contributions and Forfeitures: Contributions and forfeitures for any period shall be credited to the Accounts of Participants in the following manner:

(a) With respect to Elective Deferral contributions made pursuant to Section 5.1, an amount equal to the Participant's Elective Deferral since the previous Annual or Interim Valuation Date shall be allocated and credited to his Elective Deferral Account.
(b) Matching Contributions made pursuant to Section 5.6, if any, shall be allocated on each Annual Valuation Date (or if the Employer makes Matching Contributions on a calendar quarter or other periodic basis, on the last day of each calendar quarter or other period) to each Participant's Account who satisfies the requirements of Section 6.4(a), in an amount equal to the Employer Matching Contribution percentage determined by the Employer for the Plan Year, but in no event less than the percentage required under Section 5.6. If the Employer makes a Matching Contribution to the Plan at any time during the Plan Year, any limit on the percentage amount shall not be determined by reference to Annual Compensation for the Plan Year, but by reference to Compensation paid only during the period to which the Matching Contribution relates. Effective January 1, 2006, and for all Plan Years thereafter the Employer Matching Contribution shall be allocated according to the total Elective Deferrals (and effective June 1, 2007, the aggregate of the Participant's pretax Elective Deferrals and Roth Elective Deferrals) and the total Compensation of the Participant for the Plan Year

without regard to when during the Plan Year the Participant's Elective Deferral or the Employer's Matching Contribution is made.

(c) Employer Non-Elective Contributions made pursuant to Section 5.7 shall be allocated on each Annual Valuation Date to each Participant's Account who satisfies the requirements of Section 6.4(b). The Employer's Non-Elective Contribution shall be credited to the Accounts of eligible Participants in an amount equal to that percentage of each annual Employer Non-Elective Contribution to this Plan that is in the same proportion that each Participant's Annual Compensation for the Plan Year for which the Employer makes the

Non-Elective Contribution bears to the total Annual Compensation of all Participants for the Plan Year. For purposes of this Section 6.2(c) only Compensation paid to the Employee from and after the date applicable to the Participant as provided in subsection 6.4(c) during the portion of the Plan Year during which the Employee is a Participant in the Plan shall be taken into account. At the time the Employer makes its Non-Elective Contribution the Employer shall designate to the Administrator the Plan Year for which the Non-Elective Contribution shall be deemed to have been made (which may be the current Plan Year or the immediately prior Plan Year, as the Employer deems appropriate). If the Employer makes no designation, the Employer's Non-Elective Contribution shall be deemed to have been made for the Plan Year that begins concurrent with or within the taxable year of the Employer for which the Employer claims a deduction under Code §404.

(d) Forfeitures that the Employer elects to use to reduce or as the Employer's Non-Elective Contribution for the Plan Year pursuant to Section 11.6 shall be allocated as of each Annual Valuation Date to the Account of each Participant who satisfies the requirements of Section 6.4(b). Subject to Section 5.7 such allocated amounts shall be credited to the Non-Elective Contribution Accounts of such Participants in the same manner provided for allocation of Employer Non-Elective Contributions in Section 6.2(c) above.

(di) With respect to Rollover Contributions made pursuant to Section 5.5, an amount equal to the Participant's rollover contributions since the previous Annual or Interim Valuation Date shall be credited to the Participant's Rollover Contribution Account.

(dii) Contributions by the Employer of Employer Securities or of cash that is immediately used to purchase Employer Securities shall be allocated solely to the Employer Securities Account. All other contributions, whether by the Employer or any Participant, shall be allocated solely to the General Investments Account.

6.3 Adjustment of Accounts and Dividends on Employer Securities: As of each Annual or Interim Valuation Date all Participants' and Former Participants' Accounts shall be adjusted to reflect contributions, income and dividends received, profits and losses, distributions from and expenses of the Trust Fund since the previous Annual or Interim Valuation Date. The adjustments shall be made in the following manner and order;

(a) Each Account shall be charged with all forfeitures, withdrawals and distributions from the Account since the previous Annual or Interim Valuation Dale. In making a forfeiture reduction under this Section 6.3(a) the Plan Administrator, to the extent possible, first must forfeit from a Participant's General Investments Account before making a forfeiture from his Employer Securities Account.

(b) Each Account shall be charged with any administrative costs or expenses incurred and paid by the Plan that are allocable to the Account since the previous Annual or Interim Valuation Date. All administrative costs and expenses, to the extent possible, shall be paid from a Participant's General Investments Account before being paid from his Employer Securities Account

(c) Each Participant's General Investments Account that has a non-zero balance after the application of (a) and (b) above, shall be credited (or charged) with its proportionate share of the net investment income (or loss) and expenses since the previous Annual or Interim Valuation Dale. The amount to be credited or charged to each Account shall be determined based on the ratio that: (i) the balance in the Account on the previous Annual or Interim Valuation Date less any forfeitures, withdrawals or distributions from the Account since that date bears to (ii) the total of such amounts determined for all Accounts. Notwithstanding the previous sentence, in the sole discretion of the Plan Administrator, the method of allocating the net investment income (or loss) of the General Investment Account may be adjusted to reflect the effect of cash flows into and out of such Accounts (such as contributions, payments on Participant loans, distributions, etc.) based on the length of time between the date of such cash flow and the current Annual or Interim Valuation Date. Any such adjustment pursuant to the previous sentence shall be made in a uniform and non-discriminatory manner among Participants and/or the types of Accounts.

(ci) Each Account shall be credited with the contributions allocated to it since the previous Annual or Interim Valuation Date, subject to the following rules:

  (c) The Employer Securities Account maintained for each Participant shall be credited with the Participant's allocable share of Employer Securities (including fractional shares) purchased and paid for by the Trust or contributed in kind to the Trust, with any forfeitures of Employer Securities and with any slock dividends on Employer Securities allocated to his Employer Securities Account. Employer Securities acquired with an Exempt Loan under Section 14.3 shall be allocated in accordance with that Section, subject however, to the provisions of this Section 6.3. Except as otherwise specifically provided in Section 14.3, the Plan Administrator will base allocations to the Participant's Employer Securities Account on dollar values expressed as shares of Employer Securities or on the basis of actual shares, assuming there is only a single class of Employer Securities.

  (ci) The General Investments Account maintained for each Participant shall be credited with the Participant's allocable share of Elective Deferrals and any Employer Contribution not attributable to Employer Securities, according to the provisions of Section 6.2.

(cii) Cash dividends the Employer pays with respect to Employer Securities held by the Plan shall be allocated pro-rata to the Dividend Account of each Participant according to the number of Employer Securities in the Participant's Employer Securities Account as of the dividend date of record, less any Employer Securities allocated to or acquired for the Participant's Employer Securities Account on or after the immediately preceding ex-dividend date. The Plan Administrator will not allocate to a Dividend Account any cash dividends the Employer directs the Trustee to apply to the payment of an Exempt Loan nor any cash dividends the Employer directs the Trustee to distribute directly to a Participant in accordance with Section 9.7.

Each Participant who is entitled to receive an allocation of a cash dividend to his Dividend Account shall have the option to invest all or any portion of the cash dividend in Employer Securities or withdraw from the Plan the portion of the cash dividend not so invested. The Participant's election shall be subject to the following rules:

(1) The Participant shall have the right to elect, no less often than annually, to invest the allocable share of dividends in Employer Securities or withdraw as cash.

(2) The initial period during which a Participant may exercise the annual election shall extend from April 15, 2003, to May 15, 2003, for all individuals who are Participants in the Plan on April 15, 2003. Commencing January 1, 2004, and until July 24, 2006 the annual election period shall extend from January 1 to January 31 for all individuals who are Participants in the Plan on January 1. For an Employee who becomes a Participant in the Plan on any day after April 15, 2003, during the 2003 Plan Year or after January 1 in any subsequent Plan Year until July 24, 2006 the annual election period shall commence on the Participant's Entry Date and end on the one month anniversary thereof. Beginning July 24, 2006, Participants shall have the right to make a standing election whether to invest such Participant's allocable share of dividends in Employer Securities or withdraw as cash.

(3) If the Participant fails to make an election to withdraw his allocable share of dividends in cash, his share shall be invested automatically in Employer Securities.

(4) The Participant may elect and revoke any prior election without limitation at any time and in accordance with procedures established by the Committee. The Participant shall indicate his election by any means acceptable to the Plan Sponsor, which may include electronic notice or written notification delivered or, if mailed, postmarked no later than the last day of the election period.

(5) Dividends to be invested in Employer Securities shall be so invested as soon as Administratively Feasible following their receipt by the Plan. Withdrawal of any cash dividends must occur no later than 90 days after the close of the Plan Year in which the dividends were paid.

(6) Until invested in Employer Securities or distributed in cash, dividends in a Dividend Account shall be held and invested as provided in Section 18.4.

If the Employer directs the Trustee to apply cash dividends on Employer Securities to the payment of an Exempt Loan, the Plan Administrator will first allocate the released Employer Securities to the Participants' Employer Securities Accounts in the same ratio, determined on the dividend declaration date, that Employer Securities allocated to a Participant's Employer Securities Account bear to the Employer Securities allocated to all Employer Securities Accounts. This first allocation of released Employer Securities must equal the greater of: (1) the shares of released Employer Securities equal to the fair market value of the cash dividends attributable to the allocated Employer Securities; or (2) the number of shares of all released Employer Securities attributable to the cash dividends on allocated Employer Securities. If any released Employer Securities remain unallocated after the first allocation, the Plan Administrator will allocate these remaining released Employer Securities as if the Employer has made an Employer Contribution equal to the amount of the cash dividend attributable to the unallocated Employer Securities.

6.4 Eligibility for Allocation of Employer Matching and Non-Elective Contributions: The eligibility of Participants to receive allocations of Employer Matching and Non-Elective Contributions for each Plan Year shall be determined in the following manner:

(a) The Administrator shall determine allocations of Matching Contributions on the basis of the Plan Year, unless the Employer makes its Matching Contributions during the Plan Year on a periodic basis, such as monthly or according to payroll periods, in which case the Matching Contribution shall be allocated during the Plan year on the same periodic basis as made. That is, in allocating Matching Contributions to a Participant's Account, the Administrator shall take into account only the Compensation paid the Participant during the specific period during the Plan Year to which the allocation applies and a valid, executed Salary Reduction Agreement is in effect and on file with the Administrator for the period, subject, however, to the maximum amount of Annual Compensation that may be taken into account under Code §401(a)(17). Matching Contributions, whether or not made on a periodic basis during the Plan Year, shall be allocated to Accounts of Participants without regard to any minimum Service or specific day employment requirement.

(b) Except as otherwise provided in this Section 6.4, the Administrator shall determine allocations of Employer Non-Elective Contributions on the basis of the Plan Year. In allocating Employer Non-Elective Contributions to a Participant's Account, the Administrator shall take into account only Compensation paid the Employee from and after the date applicable to the Participant as provided in subsection (c) below. For any Plan Year Employer Non-Elective Contributions shall be allocated only to Accounts of Participants who complete at least 1,000 Hours of Service during the Plan Year and who are employed by the Employer on the last day of the Plan Year. The rules set forth in subsection

(c) below shall also apply in determining when the Participant is eligible to receive an Employer Non-elective Contribution.

(c) If an Employee becomes a Participant in the Plan prior to the first anniversary of his Employment Commencement Date, he shall not receive an allocation of Employer Non-Elective Contributions (regardless of the number of his Hours of Service or the amount of his Elective Deferrals) for any period prior to the earlier of January 1 or July 1 following the first anniversary of his Employment Commencement Date. From and after the applicable date the Participant shall be entitled to an allocation of Employer Non-Elective Contributions for the Plan Year, without regard to whether the Participant has been continuously employed from his Employment Commencement Date, provided the Participant first satisfies the Hours of Service and employment requirements of subsection (b) above.

6.5 Restriction on Certain Allocations: To the extent a shareholder sells Employer Securities to the Trust and is eligible for and elects (with the consent of the Employer) non-recognition of
gain under Code §1042, the Plan Administrator will not, either directly or indirectly, allocate under the Plan at any time any portion of the purchased Employer Securities to:

(a) the selling shareholder,

(b) the selling shareholder's spouse, brothers or sisters (whether by the whole or half blood), ancestors or lineal descendants; or

(c) any shareholder owning (as determined under Code §318(a)) more than 25% of any class or the value of any class of Employer Securities.

For purposes of this Section 6.5 the term "shareholder" includes the shareholder's executor and the term "purchased Employer Securities" includes any dividends or other income attributable to the purchased Employer Securities. A shareholder of Employer Securities of a Zions Employer shall not be eligible to elect non-recognition of gain under Code §1042 as long as the Employer Securities are readily tradeable on an established securities market.

6.6 Participant Diversification of Investments: Except as specifically provided in Section 6.3(e) and in this Section 6.6 and in Section 18.6, the Plan does not permit individual direction of investment by Participants of their Employer Securities Accounts. Effective January 1, 2007, individual direction of investment by Participants of their Employer Securities Account is permitted as provided in this Section and in Sections 18.2 and 18.6.

(a) Each Qualified Participant may direct the investment into a Segregated Investment Account of up to 25% of the value of the Participant's Eligible Account within 90 days after the Accounting Date of each Plan Year (to the extent a direction amount exceeds the amount to which a prior direction under this Section 6.6 applies) during the Participant's Qualified Election Period. For the last Plan Year in the Participant's Qualified Election Period, "50%" shall be substituted for "25%" in the immediately preceding sentence. The Qualified Participant must make his direction in writing or in another form acceptable to the Plan Administrator, which may include any approved electronic means. The direction may be effective no later than 180 days after the close of the Plan Year to which the direction applies, and the direction must specify which, if any, of the investment options in the Segregated Investment Account the Participant selects. Effective January 1, 2004, a Qualified Participant may direct the investment of his or her Eligible Account as provided in this subsection at any time during the Plan Year. When given, the direction shall be effective immediately.

(b) A Qualified Participant may choose one of the following alternative investment options:

  (a) The distribution of the portion of his Eligible Account covered by the election. The Administrator will direct the distribution within 90 days after the last day of the period during which the Qualified Participant may make the election. The provisions of this Plan applicable to a distribution of Employer Securities, including any applicable put option requirements of Article XXII, apply to this investment option. Effective January 1, 2004, this option shall no longer be available.

  (2) The liquidation and transfer of the portion of his Eligible Account covered by the election to the General Investment Account in the Plan. The Trustee will make the transfer no later than 90 days after the last day of the period during which the Qualified Participant may make the election. Effective January 1, 2004, the Trustee shall carry out all such investment directions and make all transfers as soon as Administratively Feasible.

(2) The Participant's Segregated Investment Account shall alone receive all income it earns and bear all expense or loss it incurs.

(3) For purposes of this Section 6.6 the following definitions apply:

(2) "**Eligible Account**" shall mean that portion of the Participant's total Account that consists of the Employer Securities Account.

(3) "**Qualified Participant**" means a Participant who has attained age 55 and who has completed at least 10 years of participation in the Plan (without regard to the Participant's years of participation in a Predecessor Plan, but taking into account the Participant's years of participation in the Prior Plan). A "year of participation" means a Plan Year in which the Participant was eligible for an allocation of Employer contributions, irrespective of whether the Employer actually contributed to the Plan for that Plan Year.

(4) "**Qualified Election Period**" means the six-Plan-Year period beginning with the Plan Year in which the Participant first becomes a Qualified Participant.

(4) Effective January 1, 2004, the following additional rules shall apply in determining a Participant's right to diversify the Employer Securities Account.

(2) A Participant who has completed at least five Years of Vesting Service, regardless of age or the number of years of participation in the Plan, may direct diversification into the Segregated Investment Account of up to 100% of the Participant's Employer Matching Contribution Account, except that portion in the Employer Securities Account attributable to Employer Non-Elective Contributions and dividends thereon. Effective January 1, 2007, the five Years of Vesting Service requirement shall no longer apply. A Participant who has completed three years of participation in the Plan, regardless of age, may direct diversification into the Segregated Investment Account of up to 100% of the Participant's Employer Securities Account attributable to Employer Non-Elective Contributions and dividends thereon.

(3) The Participant must make his direction in writing or in another form acceptable to the Plan Administrator, which may include any approved electronic means. The direction must specify which, if any, of the investment options in the Segregated Investment Account the Participant selects. The Participant may make his investment direction at any time during the Plan Year and when given, the direction shall be effective immediately.

(3) The Trustee shall carry out all investment directions and make all transfers as soon as Administratively Feasible.

(4) Amounts in the Participant's Employer Matching Contribution Account that are diversified into the Participant's Segregated Investment Account pursuant to this subsection (e) shall not be applied to reduce the amount available for diversification in the Eligible Account by a Qualified Participant under subsection (a).

(3) The following rules shall apply to former Participants in the Amegy Bank 401(k) Savings Plan ("Amegy Participant").

(3) With respect to that portion of an Amegy Participant's Employer Securities Account that consists of Employer Securities and dividends from such Employer Securities that were allocated to the Amegy Participant's Employer Securities Account not later than as of December 31, 2005, such Amegy Participant may direct up to 100% of that portion of his/her Employer Securities Account into the General Investments Account.

(4) That portion of an Amegy Participant's Employer Securities Account that consists of Employer Securities and dividends from such Employer Securities that were allocated to the Amegy Participant's Employer Securities Account as of January 1, 2006 or later, shall be subject to same rules as other participants as set forth in this Section 6.6.

ARTICLE VII
LIMITATIONS ON ALLOCATIONS

7.1 Special Definitions: The following terms shall be defined as follows:

(a) "**Annual Additions**" shall mean the sum of the following amounts allocated on behalf of a Participant for a Limitation Year:

(a) Employer contributions; and

(b) Employee contributions; and

(c) Forfeitures available for reallocation, if applicable; and

(d) Allocations under any simplified employee pension plans.

Participant Elective Deferrals shall be considered to be Employer contributions. Amounts reapplied to reduce Employer contributions and amounts reapplied from a suspense account (if any) under Section 7.2 as well as contributions allocated to any Individual Medical Benefit Account that is part of a defined benefit plan shall also be included as Annual Additions.

For purposes of this Article, an Annual Addition is credited to the Account of a Participant for a particular Limitation Year if it is allocated to the Participant's Account as of any day within such Limitation Year. Employer contributions will not be deemed credited to a Participant unless the contributions are actually made to the Plan no later than the end of the period described in Code §404(a)(6) applicable to the taxable year with or within which the particular Limitation Year ends.

"Annual Additions" do not include any Employer Contributions applied by the Plan Administrator (not later than the due date, including extensions, for filing the Employer's federal income tax return for the Plan Year) to pay interest (charged to a Participant's Account) on an Exempt Loan, and any Leveraged Employer Securities the Plan Administrator allocates as forfeitures; provided however, the provisions of this sentence do not apply in a Limitation Year for which the Plan Administrator allocates more than one-third of the Employer Contributions applied to pay principal and interest on an Exempt Loan to Highly Compensated Employee-Participants.

(b) "**Compensation**" for purposes of this Article VII (compliance with Code §415) and for purposes of compliance with any applicable non-discrimination test, including the determination of an Employee's status as a Highly Compensated Employee and the K-Test and M-Test procedures described in Section 5.10, shall mean and be determined as follows:

(b) The term "Compensation" shall include:

(b) The Participant's wages, salaries, fees for professional service and other amounts received (whether or not paid in cash) for personal services actually

rendered in the course of employment with an Employer maintaining the plan (including, but not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements and expense allowances).

(B) In the case of a Participant who is an employee within the meaning of Code §401(c)(l), the Participant's earned income as described in Code §401(c)(2).

(C) Any amounts contributed by the Employer or received by the Participant pursuant to an unfunded, non-qualified plan of deferred compensation to the extent such amounts are includable in the gross income of the Participant for the Limitation Year.

(D) Any amount contributed or deferred by the Employer at the election of the Participant and that is not includable in the gross income of the Participant by reason of Code §§125, 401(k), 403(b) or 457.

(E) Elective amounts that are not includable in the gross income of the Employee by reason of Code §132(f)(4).

(F) Payments of Post-Severance Compensation made to a Participant by the later of (i) 2 1/2 months from the date of Termination of Employment, or (ii) the end of the Limitation Year for which the Employer is required to furnish the Participants a written statement under Code §§6041(d), 6051(a)(3) and 6052 or the last day of the Plan Year.

(B) The term "Compensation" does not include items such as:

(B) Except as provided in subparagraph (1)(D) above, any Employer contributions to a qualified retirement plan and any Employer contributions to any other retirement plan that receive special tax benefits to the extent the contributions are not includable in the gross income of the Participant for the taxable year in which made; and any distributions from any qualified retirement plan, regardless of whether the distributions are includable in the gross income of the Participant.

(C) Employer contributions made on behalf of a Participant to a simplified employee pension described in Code §408(k) to the extent such contributions are deductible by the Employer under Code §219(b)(7).

(D) Except as provided in subparagraph (1)(D) above, other forms of compensation that receive special tax benefits, such as premiums for group health insurance and group term life insurance (but only to the extent that the compensation is not includable in the gross income of the Participant).

(D) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by a Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture (see Code §83 and the regulations thereunder).

(DI) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option.

(DII)Compensation in excess of $200,000, or such greater amount as adjusted by the Secretary of the Treasury for increases in the cost of living in accordance with Code §401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to determine the Compensation limit for the Limitation Year that begins with or within such calendar year.

(DIII)Any payment to a Participant by the Employer after the Participant's Termination of Employment that is not Post-Severance Compensation as defined herein, even if payment of the amount is made within the lime period specified in 7.1(b)(1)(F) above.

(DIV)For Limitation Years beginning after December 31, 2008, any differential wage payment, as defined in Code §3401 (h)(2).

(D) Compensation actually paid or made available to a Participant within the Limitation Year shall be the Compensation used for the purposes of applying the limitations of this Article and Code §415. In the case of a group of Employers that constitutes an Affiliated Group, all Employers shall apply this same rule.

(D) "**Defined Contribution Dollar Limitation**" shall mean the lesser of:

(D) $40,000, as adjusted for increases in the cost-of-living under Code §415(d), or

(DI) one hundred percent (100%) of the Participant's Compensation, as defined in this Section 7.1, for the Limitation Year. The Compensation limit referred to in this subsection 7.1(c)(2) shall not apply to any contribution for medical benefits after separation from service (effective January 1, 2002, severance from employment) (within the meaning of Code §401(h) or Code §419A(f)(2)) that is otherwise treated as an Annual Addition.

(DI)"**Employer**" shall mean the Employer that adopts this Plan and, in the case of a group of employers that constitutes an Affiliated Group, all such employers shall be considered a single Employer for purposes of applying the limitations of this Article.

(DII)"**Excess Amount**" shall mean the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount for such Limitation Year.

(f) "**Individual Medical Benefit Account**" shall mean any separate account that is established for a Participant under a defined benefit plan and from which benefits described in Code §401(h) are payable solely to such Participant, his spouse or his dependents.

(g) "**Limitation Year**" shall mean the 12 consecutive month period specified in Article II.

The Limitation Year may be changed by amending the election previously made by the Employer. Any change in the Limitation Year must be a change to a 12 month period commencing with any day within the current Limitation Year. The limitations of this Article (and Code §415) are to be separately applied to a limitation period that begins with the first day of the current Limitation Year and that ends on the day before the first day of the first Limitation Year for which the change is effective.

The dollar limitation on Annual Additions with respect to this limitation period is determined by multiplying the applicable dollar limitation for the calendar year in which the limitation period ends by a fraction, the numerator of which is the number of months (computed to the nearest whole month) in the limitation period and the denominator of which is 12.

The Limitation Year for all years prior to the effective date of Code §415 shall, as applied to this Plan, be the 12 consecutive month period selected as the Limitation Year for the first Limitation Year after the effective dale of Code §415.

(h) "**Maximum Permissible Amount**" shall mean, for a given Limitation Year, the Defined Contribution Dollar Limitation. If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12 consecutive month period, the Maximum Permissible Amount for such short Limitation Year shall not exceed the amount in (1) above multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year (computed to the nearest whole month) and the denominator of which is 12.

(i) "**Post-Severance Compensation**" shall mean any amount received as regular pay after Termination of Employment if:

(h) The payment is regular remuneration for services during the Participant's regular working hours, or remuneration for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments; and

(i) The payment would have been paid to the Participant prior to a Termination of Employment if the Participant had continued in employment with the Employer.

7.2 Coordination With Other Plans:

(a) If the Employer maintains any other qualified cash or deferred arrangement ("401(k) Plan") covering Participants in this Plan and if the Annual Additions to a Participant's Account in this Plan and the annual additions to the Participant's account in the 401(k)

Plan would result in the allocation on an allocation date of this Plan that coincides with an allocation date of the 401(k) Plan of an Excess Amount, the Excess Amount attributed to this Plan shall be determined by the Plan Administrator on a uniform and non-discriminatory basis, considering the amount of elective deferrals and Employer contributions made to each Participant's account in the 401 (k) Plan, and the anticipated allocation of the Employer Contribution to this Plan. The Plan Administrator shall coordinate its actions with those of the plan administrator of the 401(k) Plan to provide for the maximum possible allocation to all Participants in both plans, taking into account the provisions of the 401(k) Plan allowing for distribution of elective deferrals to reduce an Excess Amount. In this regard, the Plan Administrator, whenever possible, shall allow for the allocation and distribution of elective deferrals from the 401(k) Plan so as to eliminate or reduce the possibility of creating a suspense account under this Plan or under the 401(k) Plan. If, after distributing all amounts that may be distributed from the 401(k) Plan, there still remains an Excess Amount, the Plan Administrator will attribute the total Excess Amount to the 401 (k) Plan.

(b) If the Employer maintains another qualified defined contribution plan during any Limitation Year that covers Participants in this Plan and as a consequence of the requirements of Section 7.4 an Excess Amount is allocated to a Participant's Account in this Plan on an allocation date that coincides with an allocation date in the other plan, the total Excess Amount shall be deemed allocated to the other plan.

7.3 Limitations on Allocations and Order of Limitations: Effective for any Limitation Year commencing on or after July 1, 2007, no Employer Contributions shall be made to this Plan for any Limitation Year that will result in an Annual Addition to a Participant's Account that is an Excess Amount. If, pursuant to this Article, it is necessary to limit or reduce the amount of Contributions credited to a Participant under this Plan during a Limitation Year, the limitation or reduction shall be made:

(a) First, from the Participant's General Investment Account, in the following order:
   (a) Unmatched Participant Elective Deferrals;
   (b) Employer Matching Contributions (if any have been allocated to the General Investments Account);
   (c) Matched Participant Elective Deferrals;
   (d) Employer Non-Elective Contributions.
(b) Second, from Employer Non-Elective Contributions to the Participant's Employer Securities Account.

7.4 Aggregation of Plans: For purposes of applying the limitations of this Article applicable to a Participant for a particular Limitation Year, all qualified defined contribution plans ever maintained by the Employer shall be treated as one defined contribution plan and any Employee contributions to a defined benefit plan shall be treated as a defined contribution plan.

7.5 Suspense Account: If, as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's Compensation for the Limitation Year, or under other limited facts and circumstances allowed under Reg. §1.415-6(b), the Annual Additions to this Plan would cause an allocation to the Account of a Participant in excess of the Maximum Permissible Amount for the Limitation Year, the Plan Administrator shall deal with the Excess Amount as follows:

(a) First, the Plan Administrator shall distribute to the Participant his Elective Deferrals for the Limitation Year to the extent that the distribution reduces the Excess Amount, provided that the Plan Administrator shall not distribute any Elective Deferral to the Participant that would cause the Plan to make a concurrent reduction in the amount of Employer Matching Contributions allocated to the Participant's Account. A distribution under this provision shall include earnings or gains attributable to the returned Elective Deferrals. All distributions shall be made no later than and in the manner provided in Section 5.12(d).
(b) Second, to the extent there remains an Excess Amount after application of Section 7.5(a), the Plan Administrator shall hold the Excess Amount in a suspense account and allocate and reallocate the amount in the suspense account in the following Limitation Year (and in succeeding Limitation Years, if necessary) to reduce Employer Non-Elective Contributions, Employer Matching Contributions and Elective Deferrals (in that order) to the Account of that Participant if that Participant is covered by the Plan as of the end of the Limitation Year. If the Participant is not covered, the excess amount shall be allocated and reallocated in the next Limitation Year to all Participants' Accounts in the Plan before any Employer Non-Elective Contributions, Employer Matching Contributions and Elective Deferrals (in that order) that would constitute Annual Additions are made to the Plan for the Limitation Year, or at the option of the Zions Employer, the Excess Amount shall be used to reduce Employer Non-Elective Contributions and Employer Matching Contributions to the Plan for the Limitation Year by the amount in the suspense account that is allocated and reallocated during the Limitation Year. The suspense account shall be an unallocated account equal to the sum of all Excess Amounts for all Participants in the Plan during the Limitation Year. The suspense account shall not share in any earnings or losses of the Trust Fund. The Plan may not distribute any amounts in the suspense account to any Participant whether before or after Termination of Employment or termination of the Plan.

The foregoing provisions of this Section 7.5 shall not apply for any Limitation Year commencing on or after July 1, 2007.

ARTICLE VIII
IN-SERVICE AND HARDSHIP WITHDRAWALS

8.1 In-Service Withdrawals, Withdrawals of Rollover Contributions and Withdrawals Due to Attainment of Age 59 1/2, Disability or Hardship: Subject to the provisions of Article XXII and except as otherwise provided in this Section 8.1 and Section 8.4, no amounts may be withdrawn by a Participant from any Account held for his benefit prior to termination of employment with the Employer.

(a) A Participant may make in-service withdrawals from his Voluntary Contribution Account to the extent permitted in Section 8.4.
(b) A Participant who has attained age 59 1/2 may withdraw all or any portion of his Account, except any amount attributable to the Roth Elective Deferral Account or any amount in the Rollover Account that is attributable to Roth elective deferrals to another plan. A Participant who has attained age 59 1/2 and has surpassed the five Plan Year period that includes the first Plan Year in which the Participant made Roth Elective Deferrals to the Plan (the "59 1/2 and Five Year Rule") may withdraw all or any portion of his Account attributable to the Roth Elective Deferral Account. A Participant may withdraw any amount in the Rollover Account that is attributable to Roth elective deferrals to another plan if the Participant has satisfied the 59 1/2 and Five-Year Rule with respect to the other plan.
(c) A Participant who suffers a Disability as defined in Section 2.13 may withdraw all or any portion of his Account without regard to the Participant's age or whether he has incurred a Termination of Employment.
(d) A Participant may elect to withdraw an amount credited to his Elective Deferral Account without regard to the Participant's age (except any amount attributable to the Roth Elective Deferral Account or any amount in the Rollover Account that is attributable to Roth elective deferrals to another plan) but only if he obtains prior approval from the Plan Administrator, which approval shall be granted only upon a determination of Financial Hardship. However, notwithstanding the foregoing, if: (i) a Participant obtains prior approval from the Plan Administrator, granted only upon a determination of Financial Hardship and (ii) such Participant has satisfied the 59 1/2Year Rule with respect to this Plan; then such Participant may withdraw an amount from his Roth Elective Deferral Account; or (regardless of whether such Participant has satisfied the 59 1/2 Year Rule with respect to this Plan) from a Rollover Account that is attributable to Roth elective deferrals to another plan if the Participant has satisfied the 59 1/2 Year Rule with respect to the other plan. Any distribution pursuant to this subsection (d) shall be limited to an amount (aggregating all sources for the Financial Hardship distribution) not to exceed the amount determined by the Plan Administrator to satisfy the Financial Hardship distribution rules under Section 8.2 and 8.3. Such Participant who is eligible for the Financial Hardship distribution, may direct the amount that comes from each source that is eligible for distribution in accordance with this Section. In the case of a withdrawal due to Financial Hardship, the amount of the withdrawal shall be limited to the total amount in the Participant's

   Elective Deferral Account, including income allocable thereto as of December 31, 1988. A Participant shall be entitled to a withdrawal from his Participant Elective Deferral Account, including income allocable thereto as of December 31, 1988. A Participant shall be entitled to a withdrawal from his Participant Elective Deferral Account under this Plan only after receiving as a hardship withdrawal all amounts available first, from his Rollover Account and second, from his Voluntary Contribution Account. Upon granting approval, the Plan Administrator shall direct the Trustee to distribute the indicated portion of the Participant's Elective Deferral Account to the Participant.
(e) In the event a Participant has previously made any Rollover Contribution to the Plan, the Participant shall, upon written notice to the Plan Administrator, be entitled to withdraw at any time, without regard to the Participant's age, any amount up to the balance of the Rollover Contributions held in his Rollover Contribution Account. Withdrawals shall have no effect upon any benefits provided under any other provisions of this Plan.
(f) Whenever a withdrawal is permitted from more than one sub-account under this Section 8.1 the withdrawal shall be made (to the extent permitted under Code §72) in the following order: first, from the Participant Voluntary Contribution Account and second, from the Participant Elective Deferral Account. Withdrawals shall also be made from a Participant's General Investments Account before being taken from his Employer Securities Account whenever possible.

8.2 Financial Hardship Distribution Rules: The Plan adopts the deemed hardship distribution standards set forth in Reg. §I.401(k)-l(d)(3)(iv) and as modified below in connection with the passage of the Pension Protection Act of 2006. As a consequence, the Plan Administrator shall not approve any distribution on account of Financial Hardship unless the distribution is determined by the Administrator to be necessary to meet an immediate and heavy financial need of the Participant, and effective February 15, 2007, his/her spouse; dependent or a beneficiary as designated under this Plan. The distribution will be deemed necessary if:

(a) The distribution is not in excess of the amount of the immediate and heavy financial need of the Participant, including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution; and
(b) Other resources of the Participant are not reasonably available to meet this need.

The condition in (b) above is deemed to be met if the Participant has obtained all distributions, other than hardship distributions, and all nontaxable loans currently available under all plans maintained by the Employer, provided however, if in the judgment of the Plan Administrator the issuance of a loan from the Plan to the Participant will result in further financial hardship to the Participant, all loans currently available from the Plan shall be deemed to have been made. A participant who has received or who receives a distribution on account of Financial Hardship shall be prohibited from making Elective Deferrals under this and all other plans of the Employer (as set forth above) until (6) months after receipt of the distribution.

8.3 Determination of Immediate and Heavy Financial Need: For purposes of Section 8.2, a distribution shall be deemed to be on account of an immediate and heavy financial need if the distribution is for:

(a) Expenses for medical care described in Code §213(d) incurred by the Participant, the Participant's spouse or any dependent of the Participant or expenses necessary for these persons to obtain such medical care;

(b) Payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, the Participant's spouse or any dependent of the Participant;

(c) Costs directly related to purchase (excluding mortgage payments) a principal residence for the Participant; or

(d) Payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure of the mortgage on that residence.

Effective January 1, 2011, a distribution shall also be deemed to be on account of an immediate and heavy financial need if the distribution is on account of either of the following additional circumstances:

(e) Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code §152, without regard to Code §152(d)(1)(B)); or

(f) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code §165 (determined without regard to whether the loss exceeds 10% of adjusted gross income),

8.4 In Service Withdrawals of Voluntary Contributions: Notwithstanding any other provisions of this Article VIII a Participant may withdraw in the manner and at the times provided in this Section 8.4 all or any part of his Accrued Benefit attributable to Voluntary Contributions that were made to the Plan before October 1, 1992, together with earnings accrued thereon after December 31, 1986. To effect a withdrawal under this Section 8.4 the Participant shall notify the Plan Administrator in writing of his request at least 15 days before any Entry Date. The Plan Administrator shall notify the Trustee to make distribution as soon as Administratively Feasible after those dates. A Participant may not exercise his withdrawal right under this Section 8.4 more than once during any Plan Year. The determination of the amount available for withdrawal shall be made in accordance with the requirements of Section 8.5.

If the Participant's Accrued Benefit is not more than $5,000, without regard to whether the amount in the Participant's Account has ever exceeded that amount at the time of any prior distribution, the withdrawal shall be permitted without regard to any Participant consent requirement or the requirements of Section 9.6, For purposes of the foregoing sentence the amount of the Accrued Benefit in the Participant's Account shall be determined without regard to that portion of the Account that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Code §§402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

For those Participants with contributions designated in the Amegy 401(k) Savings Plan (that was merged into the Plan on July 24, 2006) as Employer Match and Non-Elective contributions allocated
and funded through the Southwest Bank of Texas 401(k) Saving Plan prior to June 1, 2003, such contributions will be subject to the 24-month and 60-month in-service withdrawal rights.

For those Participants with contributions designated in the Amegy 401(k) Savings Plan (which was merged into the Plan on July 24, 2006) as Employer Match and Non-Elective contributions allocated and funded through the Lone Star Bank Profit Sharing and Salary Deferral Plan and Trust prior to April 1, 2004, such contributions will be subject to the 24-month and 60-month in-service withdrawal rights.

8.5 Determination of Available Withdrawal Amount: The amount that a Participant may withdraw under Section 8.4 shall be the total of the Participant's Voluntary Contributions to the Plan as of December 31, 1986, including earnings thereon, plus the Participant's Voluntary Contributions to the Plan after that date but prior to October 1, 1992, together with earnings thereon. No Voluntary Contributions after September 30, 1992 or earnings thereon shall be available for in-service withdrawal or included in any calculation of amount available for withdrawal. Upon any withdrawal pursuant to Section 8.4 the Plan shall first charge the amount (to the extent possible) to the balance of Voluntary Contributions determined as of December 31, 1986, which shall be considered a return of Voluntary Contributions under the "grandfather rule" of Notice 87-13, Q&A-13. All Voluntary Contributions to the Plan after December 31, 1986 and prior to October 1, 1992 together with earnings thereon, shall be considered by the Plan to be a "separate contract" within the meaning of Code §72(d). Allocations between investment in the contract and earnings with respect to any withdrawal including amounts attributable to the "separate contract" shall be made in accordance with Code §72(e)(8) and Notice 87-13. The Plan Administrator shall maintain such records of a Participant's Voluntary Contributions as may be necessary to ensure compliance with this Section 8.5.

8.6 Withdrawal of Rollover Contributions: If a Participant has a Rollover Contribution Account in the Plan, and if the Participant's Accrued Benefit is not more than $5,000, without regard to whether the amount in the Participant's Account has ever exceeded that amount at the time of any prior distribution, the withdrawal shall be permitted without regard to any Participant consent requirement or the requirements of Section 9.6 (except with respect to any amount in the Rollover Account that is attributable to Roth elective deferrals to another plan). A Participant may withdraw any amount in the Rollover Account that is attributable to Roth elective deferrals to another plan if the Participant has attained age 59 1/2 and has surpassed the live Plan Year period (as defined in Section 8.7) that includes the first Plan Year in which the Participant made Roth Elective Deferrals to the other plan. Withdrawals from the Rollover Contribution Account on account of hardship shall have no effect upon any benefits provided under any other provisions of this Plan. All hardship distributions from the Rollover Contribution Account shall be administered in a uniform and non-discriminatory manner.

The amount withdrawn shall be distributed to the Participant in the manner and form provided in Section 11.2 as if the amount were distributed on account of the Participant's Termination of Employment or, if the Participant is eligible for Normal Retirement, in the manner and form provided in Article IX as if the amount were distributed on account of the Participant's Retirement. If the spousal consent rules of Section 9.6 apply to any amount in the Participant's Account, then no amount shall be withdrawn unless prior to the withdrawal the Participant's spouse, if any, consents to the withdrawal.

8.7 Determination of Five Plan Year Period: For purposes of calculating the Five Plan Year Period when determining whether a withdrawal or distribution is a Qualified Roth Distribution, the following rules shall apply.

(a) The Five Plan Year Period commences as of the first day of the Plan Year that includes the first day of the first taxable year of the Employee in which the Employee makes a Roth Elective Deferral to the Roth Elective Deferral Account under the Plan and ends as of the last day of the Plan Year in which five consecutive taxable years have been completed. For this purpose, the first taxable year in which an Employee makes a Roth Elective Deferral is the year in which the amount is includible in the employee's gross income.

(b) A Roth Elective Deferral that is returned to the Employee as an Excess Deferral or an Excess K-Test Contribution under the provisions of Section 5.11 does not begin the consecutive taxable year period and does not result in commencement of the Five Plan Year Period.

(c) A Roth Elective Deferral returned to an Employee as a permissible withdrawal under Section 5.13 does not begin the consecutive taxable year period and does not result in commencement of the Five Plan Year Period.

(d) The Five Plan Year Period shall be determined separately for each Plan of the Employer in which the Employee participates.

(e) If a direct rollover contribution of a distribution from a designated Roth account under another plan is made by the Employee to the Plan, the consecutive taxable year period and the commencement of the Five Plan Year Period begins on the first day of the Employee's taxable year in which the Employee first made a Roth contribution to the designated Roth account in the other plan, if earlier than the first taxable year in which a Roth Elective Deferral is made by the Employee to the Plan.

(f) The beginning of the consecutive taxable year period and commencement of the Five Plan Year Period is not redetermined for any portion of an Employee's Roth Account in the Plan, even if the entire Roth Account is distributed during the Five Plan Year Period and the Employee subsequently makes additional Roth Elective Deferrals or rollovers of Roth deferrals from another plan to the Plan.

(g) The rule in subsection (f) above applies if the Employee dies or the Roth Account is divided pursuant to a qualified domestic relations order. In either event, if a portion of the Roth Account is not payable to the Employee, but is payable to the Employee's Beneficiary or to an Alternate Payee, the age, death or disability of the Employee is used to determine whether the distribution is a Qualified Roth Distribution. However, if the Employee makes a rollover to this Plan of a Roth deferral from another plan that the Employee has received as an alternate payee or a spousal beneficiary, the Employee's own age, disability or death shall be used to determine whether a subsequent withdrawal or distribution from the Plan is a Qualified Roth Distribution.

ARTICLE IX
RETIREMENT BENEFITS

9.1 Normal or Late Retirement: A Participant shall be eligible for Normal Retirement on reaching his Normal Retirement Date. A Participant who has not become an Excluded Employee may continue in the service of the Employer as a Participant hereunder beyond his Normal Retirement Date. In the event such a Participant continues in the service of the Employer, he shall continue to be treated in all respects as a Participant until his actual retirement. When any Participant has a Termination of Employment following his Normal Retirement Date he shall be considered a retired Participant and he shall be entitled to receive the entire amount of his Accrued Benefit, distributed as set forth below.

9.2 Disability Retirement: Upon any Participant incurring a Disability, he shall be considered a disabled Participant and entitled to begin receiving his Vested Accrued Benefit, without regard to whether he has also incurred a Termination of Employment. Such amount shall be distributed as provided in Section 9.3, or deferred until such later date as elected by the disabled Participant and then distributed as provided in Section 9.3.

9.3 Method of Payment: Subject to the rules of Section 9.7, upon receipt of a claim for benefits a retired or disabled Participant's Vested Accrued Benefit shall be payable, as elected in writing or other appropriate electronic means by the Participant, in one or a combination of the following forms:

(a) A single lump sum payment. The amount of the lump sum payment shall be equal to the entire Vested Interest of the Participant in his Account on the dale payment is made.

(b) Substantially equal monthly, quarterly or annual installments over any period not exceeding the life expectancy of the Participant or the Participant and his or her spouse, if longer, until the Participant's Vested Accrued Benefit has been fully distributed. Fractional share installment amounts of Employer Securities shall be withheld and accumulated until a whole share of Employer Securities can be distributed. Any fractional share remaining upon payment of the final installment shall be paid in cash.

Not fewer than 30 days nor more than 90 days (effective January 1, 2007, 180 days) before the Distribution Date, the Plan Administrator shall notify the Participant of the terms, conditions and forms of payment available from the Plan, including a description of the election procedures under this Section and a general explanation of the financial effect on a Participant's Accrued Benefit of the election. The minimum 30-day waiting period after the notification is provided until the Distribution Dale may be disregarded if the Plan Administrator informs the Participant of his or her right to the full minimum 30-day waiting period, and the Participant elects in writing (or by other means acceptable to the Plan Administrator) to waive the minimum 30-day waiting period.

If a Participant fails to elect a form of payment, payment of the Participant's benefits shall be paid in the form of a lump sum. Except as permitted in Section 9.4, no payment shall be made to a Participant prior to his Normal Retirement Age unless the Participant consents in writing (or by other means acceptable to the Plan Administrator) to the payment not more than 90 days prior to his Distribution Date.

If the lump sum amount that would be payable to a Participant (whether disabled or retired) is not more than $5,000, without regard to whether the amount in the Participant's Account has ever exceeded that amount at the time of any prior distribution, the benefit shall be paid as a single lump sum payment as soon as Administratively Feasible following the end of the month in which his Termination of Employment occurs without any requirement of participant consent. However, a single lump sum payment shall not be made to a Participant after his Distribution Date unless the Participant consents in writing to the payment. If the Participant dies prior to the complete distribution of the Participant's Accrued Benefit to him, then the Plan Administrator, upon notice of the Participant's death, shall direct the Trustee to make payment in accordance with the provisions of Article X.

For all distributions commencing on or after March 28, 2005, the $5,000 threshold amount in this Section shall be reduced to $1,000.

9.4 Time of Payment: Payment of the retired or disabled Participant's Vested Accrued Benefit shall commence as soon as Administratively Feasible following the Participant's Termination of Employment on account of retirement or disability, or if later, as soon as Administratively Feasible following the date a claim for benefits is submitted by the Participant to the Plan Administrator. Unless a Participant elects otherwise (and failure to submit a claim for benefits shall be deemed such an election) payment of benefits under this Plan will commence not later than 60 days after the close of the Plan Year in which the latest of the following events occurs:

(a) the attainment by the Participant of age 65; or

(b) the 10th anniversary of the Participant's Entry Date; or

(c) the date the Participant has a Termination of Employment from the Employer.

If the amount of the payment required to commence on the date determined above cannot be ascertained by such date, or if it is not possible to make such payment on such date because the Plan Administrator has been unable to locate the Participant after making reasonable efforts to do so, a payment retroactive to such date may be made no later than 60 days after the earliest date on which the amount of such payment can be ascertained or the date the Participant is located, whichever is applicable.

9.5 Minimum Distribution Requirements: This Section 9.5 and Section 10.4 shall take precedence over any inconsistent provisions of this Plan. All distributions required to be made under this Section 9.5 (life distributions) or under Section 10.4 (death distributions) will be determined and made in accordance with the Treasury regulations under Code §401 (a)(9).

(a) Effective Date. This Section and Section 10.4 will apply for purposes of determining required minimum distributions for all calendar years beginning with the Effective Dale. Required minimum distributions for the 2002 calendar year under this Section and Section 10.4 will be determined as follows. If the total amount of 2002 required minimum distributions under the Plan made to a Participant or Beneficiary prior to the effective date of this Section equals or exceeds the required minimum distributions determined under this Section, then no additional distributions will be required to be made for the 2002 calendar year on or after such date to the Participant or Beneficiary. If the total amount of the 2002

calendar year required minimum distributions under the Plan made to the Participant or Beneficiary prior to the effective date of this Section is less than the amount determined under this Section, then required minimum distributions for the 2002 calendar year on and after such date will be determined so that the total amount of required minimum distributions for the 2002 calendar year made to the Participant or Beneficiary will be the amount determined under this Section.

(b) Time and Manner of Distribution.

  (b) Required Beginning Date. The Participant's entire Vested Accrued Benefit will be distributed, or begin to be distributed, to the Participant no later than the participant's Required Beginning Date.

  (c) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire Vested Accrued Benefit will be distributed, or begin to be distributed, as provided in Section 10.4.

  (d) Forms of Distribution. Unless the participant's interest has been distributed in the form of a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Section 9.5(c).

(c) Required Minimum Distributions During Participant's Lifetime.

  (b) Amount of Required Minimum Distribution For Each Distribution Calendar Year. During the participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

    (b) the quotient obtained by dividing the Participant's Account Balance by the distribution period in the Uniform Lifetime Table set forth in Treas. Reg. Section 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

    (c) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Treas. Reg. Section 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the participant's and spouse's birthdays in the Distribution Calendar Year.

  (c) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death. Required minimum distributions will be determined under this Section 9.5(c) beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death,

(d) Definitions. For purposes of this Section 9.5 and Section 10.4 the following definitions shall apply.

(1) "**Designated Beneficiary**" shall mean the individual who is designated as the Beneficiary under Section 10.2 of the Plan and is the Designated Beneficiary under Code §1.401(a)(9)-4.
(2) "**Distribution Calendar Year**" shall mean a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Section 10.4. The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.
(3) "**Life Expectancy**" shall mean Life Expectancy as computed by use of the Single Life Table in Treas. Reg.§1.401(a)(9)-9.
(4) "**Participant's Account Balance**" shall mean the balance in the Participant's Account as of the last valuation date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.
(5) "**Required Beginning Date**" shall mean, if a Participant is a more than five percent (5%) owner in the Plan Year ending in or with the calendar year in which the Participant attains age 70 1/2, April 1st following that calendar year. For any other Participant the Required Beginning Date is April 1st following the close of the calendar year in which the Participant attains age 70 1/2, or, if later, April 1st following the close of the calendar year in which the Participant has a Termination of Employment.
(6) "**Five percent owner**" shall have the meaning set forth in Reg. §1.401(a)(9)-1, Q&A-2(c).

(1) Form of Benefit Payment. If payment of the Participant's Accrued Benefit commences under this Section 9.5, it shall be distributed to the Participant (consistent with the Participant's election and the requirements of Section 9.3):
  (1) in the form of a cash lump sum payment of the Participant's entire Accrued Benefit; or
  (2) in the form of minimum annual cash installment payments over a period not extending beyond the life expectancy of the Participant, or the joint life expectancy of the Participant and his Beneficiary.

(1) Redetermination of Life Expectancy. For purposes of determining the amount of any minimum annual cash installment payments the life expectancy of the Participant and his spouse, but not of his non-spouse Beneficiary, shall be redetermined annually, unless otherwise elected by the Participant. Notwithstanding the above, any distribution required under the incidental death benefit requirements of Code §401(a) shall be treated as a required distribution.

(2) Temporary Suspension of Required Minimum Distributions. A Participant may elect not to receive the required minimum distribution (or any portion thereof) attributable to the 2009 Distribution Calendar Year. The Participant election shall be made by notifying the Plan in writing (or by other acceptable electronic means) at any time prior to the latest possible date that the minimum required distribution would otherwise be made. Any required minimum distribution (or portion thereof) attributable to the 2009 Distribution Calendar Year which is made to a Participant shall be treated by the Plan as an Eligible Rollover Distribution, except that it shall not be subject to any income tax withholding requirement that may otherwise apply under Code §72(t).

9.6 No Annuity Benefits: Accrued Benefits payable from this Plan shall not be paid in any form of annuity.

9.7 Distribution of Employer Securities and Cash:

(a) If so elected by the Participant, distributions of benefits from the Plan may be made entirely in Employer Securities, valued at fair market value at the time of distribution, or, effective March 1, 2003, entirely in cash. If the Participant elects a distribution that is part cash and part Employer Securities, the distribution shall be consist only of the Employer Securities in the Employer Securities Account and the cash value of the General Investments Account at the time the payment is made. A Participant who elects a distribution method other than a lump sum may designate prior to payment of the first installment the amount of the first and each subsequent installment that will be Employer Securities and that will be cash. Any fractional security share to which a Participant or his Beneficiary is entitled shall be paid in cash. If the Participant makes no election, then the Participant's Account shall be distributed in cash and in Employer Securities, according to the ratio of investment in the Participant's Account in the General Investments and Employer Securities Accounts, respectively.
(b) Notwithstanding the provisions of Section 9.7(a), if a Participant has elected under Section 6.3(c) to withdraw (rather than reinvest) the cash dividends on Employer Securities allocated or allocable to his Account, the Plan Administrator shall direct the Trustee to pay to the Participant in cash the cash dividends on Employer Securities so allocated or

allocable to the Participant's Employer Securities Account, irrespective of whether the Participant is fully vested in his Employer Securities Account. The Plan Administrator's direction must slate whether the Trustee is to pay the cash dividend distributions currently, or within the 90-day period following the close of the Plan Year in which the Employer pays the dividends to the Trust. The Plan Administrator may also request the Employer to pay cash dividends on Employer Securities directly to Participants.

9.8 Special Distribution Rules: Unless the Participant elects in writing other distribution provisions of the Plan or unless other distribution provisions of the Plan require earlier distribution of the Participant's Accrued Benefit, the Participant shall commence receiving his Accrued Benefit at the time prescribed by this Section 9.8, irrespective of any other provision of the Plan. The distribution provisions of this Section 9.8 are subject to the consent and form of distribution requirements of Section 9.3.

(a) If the Participant incurs a Termination of Employment after attainment of Normal Retirement Age (age 65) or by reason of death or disability, distribution of his Accrued Benefit shall commence during but not later than the last day of the Plan Year in which the applicable event occurs.
(b) If the Participant incurs a Termination of Employment for any reason not specified in (a), distribution of his Accrued Benefit shall commence as soon as Administratively Feasible during but not later than the last day of the Plan Year after the close of the 5th Plan Year following the Plan Year in which the Participant incurred the Termination of Employment. If the Participant resumes employment with the Employer on or before the last day of the 5th Plan Year following the Plan Year of his/her separation from Service (effective January 1, 2002, severance from employment), the mandatory distribution provisions of this paragraph (b) do not apply.

For purposes of this Section 9.8(b), a distribution to a Participant of his Accrued Benefit shall not include any Employer Securities acquired with the proceeds of an Exempt Loan until the close of the Plan Year in which the Exempt Loan is paid in full.

The distributions required under this Section 9.8 shall be made in equal annual installments over a period not exceeding five years unless the Participant is permitted and otherwise elects a longer period under the other distribution provisions of the Plan. If a Participant's Accrued Benefit exceeds $500,000, the payment period, subject to the longer period elected by the Participant, shall be live years plus one additional year (but no more than five additional years) for each $100,000 (or fraction of $100,000) by which his Accrued Benefit exceeds $500,000. The $500,000 and $100,000 amounts set forth in this Section shall be adjusted at the same time and in the same manner as the factor prescribed by the Secretary of the Treasury under Code §415(d). In no event will the distribution period exceed the period permitted under Section 9.5 of the Plan.

9.9 Distribution of Transferred Benefits: To the extent not already provided under the terms of this Plan, and notwithstanding any other provisions to the contrary, this Plan guarantees to each Participant whose Account includes Transferred Benefits (and to each Beneficiary thereof) the right to receive all Transferred Benefits in any optional form of benefit (including lime, manner and
method of distribution) protected under Code §411(d)(6). The extent and nature of the optional forms of benefits so protected shall be determined by reference to the Predecessor Plan(s).

ARTICLE X
DEATH BENEFITS

10.1 Death Benefits Payable: If a Participant who has not received a distribution of his entire Vested Interest dies, whether before or after his Distribution Date, the death benefit payable to the Beneficiary, Contingent Beneficiary or estate (as the case may be) of the Participant shall be all amounts credited (or to be credited) to his Accounts then held by the Trustee for the Participant's benefit, without regard to the Participant's Vested Percentage and that have yet to be distributed. If an Inactive Participant who has not received a distribution of his entire Vested Interest dies, whether before or after his Distribution Date, the death benefit payable to the Beneficiary, Contingent Beneficiary or estate (as the case may be) of the Inactive Participant shall only be the remaining Vested Interest in the Inactive Participant's Accounts then held by the Trustee for the Inactive Participant's benefit.

10.2 Designation of Beneficiary: Each Participant or Inactive Participant may designate a Beneficiary and Contingent Beneficiary who shall be entitled to receive the death benefit payable under Section 10.1. From time to time the Participant or Inactive Participant may file with the Plan Administrator a new or revised designation, provided that his or her spouse shall be his or her Beneficiary unless his or her spouse has consented in writing to the designation of a Beneficiary other than his or her spouse or it is established to the satisfaction of the Plan Administrator that the consent of the spouse may not be obtained because there is no spouse, the spouse cannot be located or because of such other circumstances as may be set forth in Regulations issued pursuant to Code §417(a)(2)(B). The change in marital status of a Participant from married to unmarried or vice versa shall void any outstanding beneficiary designation and require the completion and execution of a new beneficiary designation consistent with the provisions of this Section. Beneficiary designations shall be completed in the manner approved by the Plan Administrator or set forth in writing on a form provided by the Plan Administrator.

If upon the Participant's death his designated Beneficiary does not survive him, the Contingent Beneficiary shall become the Beneficiary and any death benefit payable under Section 10.1 shall be paid to him or her. If a deceased Participant is not survived by a designated Beneficiary or Contingent Beneficiary, or if no Beneficiary was designated, the benefits shall be paid to the person (or in equal shares to the persons) in the first of the following classes of successive preference beneficiaries then surviving: the Participant's (a) widow or widower, (b) children per stirpes, (c) parents, (d) brothers and sisters, (e) executor or administrator of his estate. For purposes of determining the right of a Beneficiary, Contingent Beneficiary, surviving spouse or other survivor to receive a benefit on account of the death of a Participant, he or she shall not be deemed to have survived the Participant unless he or she shall survive the Participant by at least 30 days.

If the Beneficiary, Contingent Beneficiary or surviving spouse survives the Participant and is entitled to receive benefits under this Section 10.2, but dies prior to receiving the entire death benefit payable to him or her, the remaining portion of the death benefit shall be paid to the person's named beneficiary or, if none, to the person's estate subject to the right of commutation.

10.3 Death Benefit Payment Procedure: Upon receipt of a claim for benefits, the Participant's death benefit shall be paid by the Trustee to the Beneficiary designated by the Participant pursuant to Section 10.2. The Beneficiary of a Participant may elect to receive death benefits payable hereunder in any form of payment provided in Section 9.3, subject to the right to receive the distribution in cash or in Employer Securities as provided in Section 9.7. The Beneficiary's election to receive distribution shall be made in the same manner provided under Articles IX and XI for distribution to Participants. If the Beneficiary fails to elect a form of payment, then subject to the small benefit distribution rules in the next paragraph of this Section 10.3 and except as provided in Section 10.4(g), the Plan shall distribute the death benefit in annual installments over the life expectancy of the Beneficiary, consistent with the rules in Section 10.4. Installments shall commence no later than December 31 of the Plan Year following the Plan Year of the Participant's death, with each subsequent installment payment to be made no later than each December 31, thereafter.

If the lump sum benefit otherwise payable to the Beneficiary is not more than $5,000 and payment of benefits to the deceased Participant has not previously commenced, the benefit shall be paid as a single lump sum payment, subject to the distribution rules of Section 9.7. Payment of any death benefits under this paragraph shall commence as soon as Administratively Feasible following the Participant's date of death. However, if the amount of the benefit required to be paid on the date determined above cannot be ascertained by that date, or if it is not possible to make the payment on that date because the Plan Administrator has been unable to ascertain or locate the Beneficiary after making reasonable efforts to do so, a payment retroactive to such date may be made as soon as Administratively Feasible after the earliest date on which the Beneficiary or amount of the payment can be ascertained or the date the Beneficiary is located, whichever is applicable.

10.4 Required Distributions Upon Death: Notwithstanding any other provisions of this Plan, payment of death benefits shall be subject to the following rules:

(a) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's entire Vested Accrued Benefit will be distributed, or begin to be distributed no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then unless otherwise provided herein, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 $^{1}/_{2}$, if later.

(b) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then except as otherwise provided herein, distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire Vested Accrued Benefit will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(4) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 10.4(a), other than subsection (a)(i), will apply as if the surviving spouse were the Participant.

For purposes of this Section 10.4(a) and Sections 10.4(e) and (f), unless Section 10.4(a)(4) applies, distributions are considered to begin on the participant's Required Beginning Date. If Section 10.4(a)(4) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 10.4(a)(i).

(b) Forms of Distribution. Unless the participant's interest has been distributed in the form of a single sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 10.4(e) and (f).

(c) Beneficiaries' Election of Five Year Rule. Beneficiaries may elect on an individual basis whether the Five Year Rule or the Life Expectancy rule in Sections 10.4 (a) and (f) applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 10.4(a) or by September 30 of the calendar year that contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death. If neither the Participant nor Beneficiary makes an election under this subsection, distributions will be made in accordance with Sections 10.4(a) and (f).

(d) Transition Rule for Designated Beneficiary Receiving Distributions Under Five Year Rule to Elect Life Expectancy Distributions. A Designated Beneficiary who is receiving payments under the Five Year Rule may make a new election to receive payments under the Life Expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the Life Expectancy rule for all Distribution Calendar Years before 2004 are distributed by the earlier of December 31, 2003, or the end of the five year period.

(e) Death On or After Date Distributions Begin.

(b) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

(b) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(C) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) Death Before Date Distributions Begin.

(B) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a Designated Beneficiary, the minimum

amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in Section 10.4(e).

(C) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 10.4(a)(i), this Section 10.4(f) will apply as if the surviving spouse were the Participant.

(C) Rollover of Death Benefit for Non-spouse Beneficiary after December 31, 2009.

(1) If the Participant dies before his or her required beginning date, the required minimum distribution for purposes of determining the amount eligible for rollover with respect to a non-spouse beneficiary shall be determined under the 5-year rule described in Code §401(a)(9)(B)(ii). Under this rule, no amount shall be a required minimum distribution for the year in which the Participant dies. The rule in Q&A-7(b) of Reg. §1.402(c)-2 (relating to distributions before an employee has attained age 7 1/2) shall not apply to a non-spouse beneficiary.

(2) Under the five-year rule as adopted by the Plan, no amount is required to be distributed to a non-spouse beneficiary until the fifth calendar year following the year of the Participant's death. In that year, if no prior distribution has been made, the entire amount to which the beneficiary is entitled under the Plan must be distributed.

(3) If the non-spouse beneficiary so elects, the Plan shall permit the non-spouse beneficiary to directly roll over the beneficiary's entire benefit until the end of the fourth calendar year following the year of death. On or after January 1 of the fifth year following the calendar year in which the Participant died, no amount payable to the non-spouse beneficiary under the Plan shall be eligible for rollover.

(4) If a Participant dies on or after his or her required beginning date, within the meaning of Code §401(a)(9)(C), then for the year of the Participant's death, the required minimum distribution not eligible for rollover shall be the same as the amount that would have applied if the Participant were still alive and had elected the direct rollover. The amount not eligible for rollover shall include all undistributed required minimum distributions for the year in which the direct rollover occurs and any prior year, including years before the Participant's death.

(1) Temporary Suspension of Beneficiary Distributions. A Beneficiary receiving distributions from the Plan under an election made pursuant to subsection (c) may elect not to receive the distribution amount (or any portion thereof) that would otherwise be attributable to the 2009 Distribution Calendar Year. The Beneficiary's election shall be made by notifying the Plan in writing (or by other acceptable electronic means) at any time prior to the latest possible date that the distribution would otherwise be made. If a distribution (or portion thereof) otherwise attributable to the 2009 Distribution Calendar Year is suspended, then the five year period for payout of the Accrued Benefit to the Beneficiary shall be extended an additional year to take into account the suspension of payment.

ARTICLE XI
BENEFITS UPON OTHER TERMINATION OF EMPLOYMENT

11.1 Vested Amounts: A Participant shall become 100% vested in his Accrued Benefit on attainment of Normal Retirement Age while employed by a Zions Employer. Prior to his Normal Retirement Age a Participant shall have a Vested Interest in those sub-accounts not otherwise excepted below that make up his Accrued Benefit equal to the sum of the following:

(a) One hundred percent (100%) of the balance in his Participant Elective Deferral Account and in his Employer Matching Contribution Account, as adjusted for any contributions or distributions since the preceding Valuation Date; and

(b) One hundred percent (100%) of the balance in his Participant Rollover Contribution Account and in his Voluntary Contribution Account, if any, as adjusted for any contributions or distributions since the preceding Valuation Date; and

(c) One hundred percent (100%) of the balance in his Dividend Account if any (whether cash or Employer Securities), as adjusted for any contributions or distributions since the preceding Valuation Date; and

(d) His vested percentage of the balance in his Employer Non-Elective Contribution Account, as adjusted for any contributions or distributions since the preceding Valuation Date, according to the Participant's Years of Vesting Service, except as provided in subsection (e) below and for Employer Non-Elective Contributions made for Plan Years beginning before January 1, 2007 and consistent with the following schedule:

Years of Vesting Service	Percent of Vested Accrued Benefit
Fewer than five years	none
At least live years	100%

For Employer Non-Elective Contributions made for Plan Years beginning after December 31, 2006 and consistent with the following schedule:

Years of Vesting Service	Percent of Vested Service Accrued Benefit
Less than two years	none
Two years	20%
Three years	40%
Four years	60%
Five or more years	100%

(e) A Participant's Predecessor Plan Account (if any) shall be vested pursuant to the vesting rules set forth in the Predecessor Plan Account.

The percentage of the Participant's Accrued Benefit attributable to various sub-accounts in which he is not vested shall be forfeited by him as provided in Section 11.7.

11.2 Distribution of Vested Interest: Subject to the rules of Section 9.7, a Participant who incurs a Termination of Employment for any reason other than retirement, death or disability may elect in writing or other appropriate electronic means one or a combination of the following forms of distribution of his Vested Interest:

(a) A single lump sum payment. The amount of the lump sum payment shall be equal to the Participant's Vested Interest in his or her Account on the date payment is made.

(b) Substantially equal monthly, quarterly or annual installments over any period not exceeding the life expectancy of the Participant or the Participant and his or her spouse, if longer, until the Participant's Vested Accrued Benefit has been fully distributed. Fractional share installment amounts of Employer Securities shall be withheld and accumulated until a whole share of Employer Securities can be distributed. Any fractional share remaining upon payment of the final installment shall be paid in cash.

Distribution shall commence no later than the time specified in Section 9.8 unless the Participant fails to elect a form or time of payment or elects a deferred payment, then payment of the Participant's Accrued Benefit shall be deferred to the subsequent date elected by the Participant, that may be no later than the latest date permitted under Section 9.5, and then distributed in accordance with the provisions of Section 9.3. If the Participant elects later payment of the Participant's Vested Accrued Benefit, distribution shall commence as soon as Administratively Feasible following the date a claim for benefits is submitted by the Participant to the Plan Administrator, which may be no later than the earlier of the date permitted under Sections 9.4 and 9.5. If at that time the Participant has attained Normal Retirement Age or incurred a disability, or if the Participant dies before his Normal Retirement Age or if earlier, before his Distribution Date, the Plan Administrator, upon notice of the attainment of Retirement Age or of death, shall direct the Trustee to make payment of the Participant's Vested Interest to him (or to his Beneficiary if the Participant is deceased) in accordance with the provisions of Article X in the case of death, or Section 9.3 in the case of disability or attainment of Normal Retirement Age.

Not fewer than 30 days nor more than 90 days (effective January 1, 2007, 180 days) before the Distribution Date, the Plan Administrator shall notify the Participant of the terms, conditions and forms of payment available from the Plan, including a description of the election procedures under this Section and a general explanation of the financial effect on a Participant's Accrued Benefit of the election. The minimum 30-day waiting period after the notification is provided until the Distribution Date may be disregarded if the Plan Administrator informs the Participant of his or her right to the full minimum 30-day waiting period, and the Participant elects in writing (or by other means acceptable to the Plan Administrator) to waive the minimum 30-day waiting period.

If the Participant elects immediate distribution following Termination of Employment, whether as a single lump sum payment or term certain payments, payment shall be made as soon as Administratively Feasible following Termination of Employment. However, if a Participant terminates employment in a month that is the end of a quarter of the calendar year (i.e., March, June, September, December),
then the distribution of the Participant's Account shall be made on the 25th day of the second month following the Participant's Termination of Employment. If the Former Participant dies or incurs a Disability before his Normal Retirement Date, the Plan Administrator, upon notice of the death or Disability, shall direct the Trustee to make payment of the Participant's Vested Interest to him (or to his Beneficiary if the Participant is deceased) in accordance with the provisions of Article X in the case of death, or Section 9.2 in the case of Disability.

Notwithstanding the above, if a terminated Participant is re-employed by the Employer prior to distribution of his Vested Interest, distribution shall not be made until his employment is again terminated or until the occurrence of another event permitting distribution under the terms of the Plan.

11.3 Distribution of Small Amounts: Notwithstanding the provisions of Section 11.2 if a Participant incurs a Termination of Employment for any reason other than retirement, death or disability and if the Vested Accrued Benefit that would be payable to a Participant is not more than $5,000, without regard to whether the amount in the Participant's Account has ever exceeded that amount at the time of any prior distribution, then the Plan shall make distribution to the Participant in a single lump sum cash payment pursuant to the provisions of Sections 9.7 and 9.8 without first obtaining the Participant's written consent.

For all distributions commencing on or after March 28, 2005, the $5,000 threshold amount in this Section shall be reduced to $1,000.

11.4 Eligible Rollover Distributions: Notwithstanding any provision of this Plan to the contrary, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. For purposes of this Section 11.4 the following definitions shall apply:

(a) **"Eligible Rollover Distribution"** shall mean any distribution of all or any portion of the balance to the credit in the Account of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code §401(a)(9), and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). Any amount that is distributed on account of hardship (without regard to whether the hardship withdrawal is attributable to Elective Deferrals) shall not be an Eligible Rollover Distribution and the Distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan.

Effective for distributions first commencing on or after January 1, 2007, an "Eligible Rollover Distribution" does not include the portion of the distribution that is payable on behalf of a non-spouse beneficiary and that is a required distribution under Code §401 (a)(9) because the distribution first commences after the close of the calendar year in
which the death of the Participant occurs, nor does it include any portion of the distribution to a non-spouse beneficiary who has elected the Five Year Rule under Section 10.4(c) and the distribution does not commence prior to the close of the fourth calendar year following the calendar year in which the Participant's death occurred.

Effective for distributions first commencing after September 27, 2010, an "Eligible Rollover Distribution" also includes any distribution from this Plan that otherwise satisfies the Plan's distribution rules and the requirements of Code §402(c)(4) and which is directly rolled over to the In-plan Roth Rollover Account.

(b) **"Eligible Retirement Plan"** shall mean an individual retirement account described in Code §408(a), an individual retirement annuity described in Code §408(b) (jointly or separately, an "IRA"), an annuity plan described in Code §403(a), a qualified trust described in Code §401(a), that accepts the Distributee's Eligible Rollover Distribution, an annuity contract described in Code §403(b) and an eligible plan under Code §457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and that agrees to separately account for amounts transferred into such plan from this Plan. This definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Code §414(p). However, in the case of an Eligible Rollover Distribution to the surviving spouse, an Eligible Retirement Plan is an IRA.

Effective for distributions first commencing on or after January 1, 2007, on behalf of a non-spouse beneficiary, an "Eligible Retirement Plan" shall only include an IRA established on behalf of the non-spouse beneficiary that will be treated as an inherited IRA pursuant to Code §402(c)(l 1) and that satisfies the requirements of Notice 2007-7, Q&A-13.

For distributions made after December 31, 2007, an Eligible Retirement Plan shall also mean a Roth IRA described in Code Section 408A(b).

For distributions made after September 27, 2010 which are rolled over to the In-plan Roth Rollover Account, an Eligible Retirement Plan shall also mean this Plan.

(c) **"Distributee"** shall mean an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code §414(p), are Distributees with regard to the interest of the spouse or former spouse. Effective for distributions first commencing on or after January 1, 2007, a "Distributee" shall also include any non-spouse beneficiary who is a designated beneficiary under the provisions of Section 10.2.

(ci) **"Direct Rollover"** shall mean a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

11.5 Breaks in Service and Vesting: If a Participant has a One Year Break in Service, the Participant's Years of Vesting Service before the One Year Break in Service shall not be included in computing Years of Vesting Service until the Participant shall have completed one Year of Vesting Service after the One Year Break in Service. If an Employee terminated employment prior to becoming a Participant and incurred a One Year Break in Service, or if a Participant did not have any Vested Interest derived from Employer contributions prior to a One Year Break in Service, Years of Vesting Service before a One Year Break in Service shall not be included in Years of Vesting Service calculated after the Participant's One Year Break in Service if the number of consecutive One Year Breaks in Service equals or exceeds the greater of five or the aggregate number of such Years of Vesting Service before the One Year Break in Service.

Solely for the purpose of determining the vested percentage of a Participant's Accrued Benefit derived from Employer contributions that accrued prior to a five consecutive one-year Break in Service period, the Plan shall disregard any Year of Service subsequent to such five consecutive one-year Breaks in Service period.

If a Participant has a One Year Break in Service, and the break does not arise on account of Termination of Employment, the Participant shall not be credited with a Year of Vesting Service for that Plan Year. However, no amounts in the Participant's Accounts shall be forfeited.

11.6 No Increase in Pre-break Vesting: For purposes of Section 11.1, Years of Vesting Service after a Termination of Employment that resulted in five consecutive One Year Breaks in Service shall not increase the vested percentage of a Participant's Account that was earned before such five consecutive One Year Breaks in Service.

11.7 Occurrence and Disposition of Forfeitures:

(a) Forfeiture of the Participant's non-vested interest in his or her Employer Non-Elective Contribution Account shall occur:

(1) In the case of a Participant who receives a lump sum distribution of his or her Vested Interest on account of Termination of Employment, on the day the Participant receives the distribution.

(2) In the case of a Participant who has a Vested Interest derived from Employer Contributions (which for this purpose shall include Elective Deferral Contributions) and does not receive a total distribution of such Vested Interest, on the last day of the Plan Year in which the Participant incurs five consecutive One Year Breaks in Service.

(3) In the case of a Participant who has no Vested Interest derived from Employer Contributions (which for this purpose shall include Elective Deferral Contributions), regardless of the sub-account to which the Employer Contributions have been allocated, on the day the Participant incurs the Termination of Employment.

Non-vested interests of terminated Participants shall be held by the Trustee in the respective Accounts of the Participant until the date determined above and shall then be forfeited by the Participant and used or allocated in accordance with this Section.

(b) Amounts forfeited by terminated Participants from their Employer Non-Elective Contribution Accounts, if not used first to restore Accounts under Sections 11.10 and 23.11, shall be used to reduce the amount of the Employer's Non-Elective Contribution otherwise made pursuant to Section 5.7 for the Plan Year. In the event the Employer does not make a Non-Elective Contribution for the Plan Year, then the amounts forfeited shall be used at the Employer's election:

(b) to offset costs and expenses of Plan administration (to the extent and in the manner permitted under Section 14.6),

(c) as the sole Employer Non-Elective Contribution for the Plan Year and allocated in accordance with Section 6.2(c),

(d) to reduce the amount of the Employer's Matching Contribution for the Plan year, or

(e) any combination of the foregoing.

(c) To the extent possible, the Plan Administrator must forfeit from a Participant's General Investments Account before making a forfeiture from his or her Employer Securities Account.

11.8 Distribution to Participants Who Are Less Than 100% Vested in Their Entire Account: In the event a Participant who is less than 100% vested hereunder incurs a Termination of Employment and returns to the employ of the Employer before a forfeiture of his non-vested interest shall have occurred, and prior to his re-employment was paid a portion of his Vested Interest, a separate account for the Participant's remaining interest in the Plan as of the time of the distribution shall be maintained. At any relevant time, the Participant's vested portion of the separate account shall be an amount "X" determined by the following formula:

$$X = P\ (AB+(RxD))\ -\ (RxD)$$

For purposes of applying the formula:

P	is the vested percentage at the relevant time;
AB	is the account balance at the relevant time;
D	is the amount of the distribution;
R	is the ratio of the account balance at the relevant time to the account balance after distribution.

In the event a Participant who is less than 100% vested hereunder incurs a Termination of Employment and returns to the employ of the Employer after a forfeiture of his non-vested interest but
prior to incurring five consecutive One Year Breaks in Service, and prior to his re-employment was paid his Vested Interest, the non-vested portion of his Accrued Benefit that was forfeited by the Participant shall be disregarded in computing his Accrued Benefit after re-entry into the Plan, unless the Participant repays, pursuant to Section 11.8, the amounts distributed from his Account from which an amount was forfeited. If a Participant does repay the distribution, the balance in such Account shall be restored as provided in Section 11.9.

In the event a Participant who had no Vested Interest in his Employer Regular Contribution Account separated from service and returns to the employ of the Employer after a forfeiture of his non-vested interest but prior to incurring five consecutive One Year Breaks in Service, any non-vested amounts forfeited by the Participant shall be restored, as provided in Section 11.9, to the Account from which an amount was forfeited.

11.9 Repayment of Distribution: A Participant described in the second paragraph of Section 11.7 who received a lump sum distribution of less than 100% of his Accrued Benefit shall be entitled to repay the amount so distributed from the Employer Contribution Account in which he was less than 100% vested. The repayment must be for the full amount distributed from the Account and must be made not later than the earlier of:

(a) the date on which the Participant incurs five consecutive One Year Breaks in Service after the date of distribution; or

(b) the end of the five year period beginning with the date the Participant is re-employed by the Employer.

Any repayment shall not be included in applying the limitations of Article V or Article VIII hereunder.

11.10 Restoration of Accounts: Any amount repaid pursuant to Section 11.8 shall be credited to the Participant's Accounts for which it is repaid, with credit to be made as of the date of repayment. The Account shall also be credited with the amount previously forfeited from the Account, with credit to be made as of the last day of the Plan Year in which repayment is made.

In the case of a Participant to whom the third paragraph of Section 11.7 applies, the Participant's Accounts from which amounts were previously forfeited shall be credited with the amount so forfeited, with credit to be made as of the last day of the Plan Year in which the Participant resumes participation in the Plan.

Any previously forfeited amounts that are credited to Participants' Accounts pursuant to this Section shall be derived from the following sources in the following order of priority:

(a) First, the amount, if any, to be credited to such types of Accounts for the Plan Year pursuant to Section 11.5;

(b) Second, Employer contributions for the Plan Year, if any, that are not required to be credited to such types of Accounts for other Participants; and

(c) Third, an additional Employer contribution for the Plan Year, regardless of whether the Employer has any Net Profits for the year.

If for any Plan Year, the Accounts of more than one Participant are required to be restored, then restorations shall be derived from the above sources in the same proportion that the amount to be restored to each Participant bears to the total amount to be restored to all such Participants for the Plan Year. Any such amounts credited to a Participant's Accounts shall not be included in applying the limitations of Article V or Article VIII hereunder.

11.11 Amendments to the Vesting Schedule: No amendment to the vesting schedule or provisions of Section 11.1, or to this Plan that directly or indirectly affects the computation of a Participant's Accrued Benefit, shall deprive a Participant of a vested right to the benefits accrued to the effective date of the amendment. Furthermore, if the vesting schedule or provisions of Section 11.1 are amended, each Participant with at least three (3) Years of Vesting Service (determined as of the later of the date the amendment is adopted or the date the amendment is effective) may elect to have his vesting percentage computed under the Plan without regard to the amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the latest of:

(a) 60 days after the amendment is adopted;

(b) 60 days after the amendment becomes effective; or

(c) 60 days after the Participant is issued written notice of the amendment by the Employer or Plan Administrator.

In the absence of any written notice under (c) above, any Participant who has at least three (3) Years of Vesting Service (as determined above) shall at all times receive a Vested Interest under whichever vesting schedule provides the greatest Vested Interest.

ARTICLE XII
FIDUCIARY DUTIES

12.1 General Fiduciary Duty: A Fiduciary, whether or not a Named Fiduciary, shall discharge his duties solely in the interest of the Participants and their Beneficiaries hereunder. All assets of this Plan shall be devoted to the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying the reasonable expenses of administering the Plan. Each Fiduciary, whether or not a Named Fiduciary, shall discharge his duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Each Fiduciary shall also discharge his duties in a manner consistent with the documents and instruments governing the Plan to the extent such documents and instruments are consistent with law. No Fiduciary, whether or not a Named Fiduciary, shall engage in any prohibited transactions with a Disqualified Person or party-in-interest as those terms and transactions are defined herein and by ERISA.

12.2 Allocation of Responsibilities: Each Named Fiduciary shall have only those duties and responsibilities expressly allocated under the terms of this Plan. No other duties or responsibilities shall be implied.

12.3 Delegation of Responsibilities: Each Named Fiduciary may delegate the fiduciary responsibilities other than Trustee responsibilities allocated to such Fiduciary under this Plan to any person other than a Named Fiduciary. If any duties or responsibilities are delegated under this section, the person to whom the duties or responsibilities are delegated shall acknowledge the fact in writing and shall specify in writing the duties and responsibilities so delegated. All other duties and responsibilities shall be deemed not to have been delegated.

12.4 Liability for Allocation or Delegation of Responsibilities: A Named Fiduciary shall not be liable for the acts or omissions of a person to whom responsibilities or duties are allocated or delegated in accordance with Section 12.2 or Section 12.3 except to the extent such Named Fiduciary breaches his obligation

under Section 12.1:

(a) with respect to the allocation or delegation;
(b) with respect to establishing or implementing a procedure for allocation or delegation; or
(c) by continuing the allocation or delegation.

Nothing in this section shall relieve a Fiduciary from liability incurred under Section 12.5.

12.5 Liability for Co-Fiduciaries: In addition to the liability a Fiduciary may incur for the breach of his duty under Section 12.1 or 12.4, a Fiduciary shall be liable for a breach of Fiduciary duty committed by another Fiduciary in the following circumstances:

(a) if he participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other Fiduciary knowing such act or omission is a breach;
(b) if, by his failure to comply with Section 12.1 he has enabled such other Fiduciary to commit a breach;
(c) if he has knowledge of a breach by such other Fiduciary, unless he makes reasonable efforts under the circumstances to remedy the breach.

12.6 Same Person May Serve in More than One Capacity: Nothing herein shall prevent any person from serving in more than one Fiduciary capacity.

12.7 Indemnification: The Plan Sponsor shall hold harmless and indemnify to the fullest extent permitted by ERISA each non-Trustee Fiduciary of the Plan with respect to the consequences of all actions or failures to act of the Fiduciary while carrying out his or her responsibilities under the Plan. The Plan Sponsor shall further hold harmless and indemnify each Fiduciary who is subjected to any claim or action or who is made a party in any threatened, pending or completed proceeding, including, without limitation, any proceeding brought by or in the name of the Plan or by any participant thereof or by any governmental agency. The Employer's indemnification shall include any and all expenses (including attorney's and/or consultant's fees), costs, damages, judgments, fines, interest, penalties (including any that may be imposed under ERISA §502(1)) and/or amounts paid in settlement and that are actually and reasonably incurred by a Fiduciary in connection with the investigation, defense, settlement, preparation for trial, trial, or appeal of any proceeding, claim or action. Notwithstanding the foregoing, the Employer shall not be obligated to hold harmless or indemnify a Fiduciary of the Plan if indemnification is inconsistent with applicable law or if the act(s) or omission(s) of the Fiduciary to be indemnified are determined to have involved intentional misconduct, gross negligence or a knowing violation of ERISA or other applicable law by the Fiduciary.

To the extent a Fiduciary is a named insured under any policy of liability insurance maintained by the Plan or the Employer, the policy and the payment obligations of the insurance company under the policy shall be deemed primary and in lieu of the Employer's obligations under this Section 12.7, but only to the extent of the coverage provided in the policy. No insurer under any policy shall claim any right to reimbursement or refund from the Employer and no obligation of the Employer hereunder shall be deemed to inure to the benefit of any third party.

ARTICLE XIII
THE PLAN ADMINISTRATOR

13.1 Appointment of Plan Administrator: The Board of Directors of the Plan Sponsor shall appoint the Plan Administrator, which may be the Plan Sponsor, If the Plan Sponsor is appointed as Plan Administrator, the Plan Sponsor may appoint one or more Committees to carry out the duties of the Plan Administrator under this Plan. In that event all references in the Plan to the Plan Administrator shall be deemed to refer to the appointed Committee. The duties of the Committees shall be divided as the Plan Administrator deems appropriate and may be designated by separate instrument. The Committees shall act by majority vote except that they shall act by unanimous vote at any time when there are only two members comprising the Committee.

13.2 Acceptance by Plan Administrator: The Plan Administrator shall accept its appointment by joining with the Employer in the execution of this Agreement.

13.3 Signature of Plan Administrator: All persons dealing with the Plan Administrator may rely on any document executed by the Plan Administrator; or, in the event of appointment of a Committee or Committees, such persons may rely on any document executed by at least one member of the appropriate Committee as being the act of the Plan Administrator.

13.4 Appointment of an Investment Manager: The Plan Administrator may appoint an Investment Manager or Managers to manage, acquire and dispose of any assets of the Plan. In the event responsibility for appointment of Investment Managers is delegated by the Plan Administrator to a named Committee, that delegation shall carry with it the authority of the Committee to act as a Named Fiduciary for purposes of ERISA in appointing an Investment Manager. The Investment Manager shall accept his appointment by written agreement executed by the Plan Administrator and Investment Manager. This written agreement shall specify the Plan assets for which the Investment Manager is responsible and such written instrument shall be kept with the other documents governing the operation of the Plan. The Trustee shall be entitled to rely on written instructions from the Investment Manager and shall be under no obligation to invest or otherwise manage any asset of the Plan subject to the management of the Investment Manager.

13.5 Duties of the Plan Administrator: The Plan Administrator shall be responsible for the general administration of the Plan including, but not limited to, the following:

(a) to prepare an annual report, summary plan description and modifications thereto, and summary annual report;
(b) to complete and file the various reports and tax forms with the appropriate government agencies as required by law;
(c) to distribute to Plan Participants and/or their Beneficiaries the summary plan description and reports sufficient to inform such Participants or Beneficiaries of their Accrued Benefit and their Vested Accrued Benefit as required by law;
(d) to determine annually, or more frequently if necessary, which Employees are eligible to participate in the Plan;
(di) to determine the benefits to which Participants and their Beneficiaries are entitled and to approve or deny claims for benefits;
(dii) to provide Plan Participants with a written explanation of the effect of electing an optional form of benefit payment;
(diii) to retain copies of all documents or instruments under which the Plan operates in its own office, the principal place of business of the Plan Sponsor and such other place as the Secretary of Labor or his delegate may by regulation prescribe; to make all such documents and instruments governing the operation of the Plan available for inspection by Plan Participants and/or their Beneficiaries; and to furnish copies of such documents or instruments to Plan Participants and/or their Beneficiaries on request, charging only the cost thereof as prescribed by regulation of the Secretary of Labor or his delegate;
(div) to interpret Plan provisions as needed and in this regard to have complete and total discretion in the interpretation of the Plan; and
(dv) to act as the Plan's agent for the service of legal process, unless another agent is designated by the Plan Sponsor and to act on behalf of the Plan in all matters in which the Plan is or may be a party.

13.6 Claims Procedure: A claim for benefits under the Plan may be filed with the Plan by any Participant or Beneficiary on a form supplied by the Plan Sponsor for that purpose or through any other communication medium approved by the Plan Administrator. Written notice of the disposition of a claim shall be furnished to the claimant within 90 days after the application thereof is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth in the notice in language calculated to be understood by the claimant, pertinent provisions of the Plan shall be cited, and, where appropriate, an explanation as to how the claimant may perfect the claim shall be provided. In addition, the claimant shall be furnished with an explanation of the Plan's claim review procedure.

13.7 Claims Review Procedure: Any Participant or Beneficiary whose benefit claim submitted pursuant to Section 13.6 has been denied (whether in full or in part) shall be entitled to request further consideration to his claim by filing an appeal with the Plan Administrator, which may be in the form of a request for reconsideration. The request, together with a written statement of the reasons why the claimant believes his appeal should be allowed, shall be filed with the Plan Administrator no later than 60 days after receipt of the written notification provided for in Section 13.6. The Plan Administrator shall conduct the review of the appeal. The Plan Administrator, in its sole discretion, may order a hearing at which the claimant may be represented by an attorney or any other representative of his choosing and at which the claimant shall have an opportunity to submit written and oral evidence and arguments in support of his claim. During the appeal review period or at the hearing (upon five business days prior written notice to the Plan Administrator) the claimant or his representative shall have an opportunity to review all documents in the possession of the Plan that are pertinent to the claim at issue and its disallowance. A final decision on the claim shall be made by the Plan Administrator within 60 days of receipt of the appeal unless (i) because of special circumstances there
has been an extension of 60 days that has been communicated in writing to the claimant, or (ii) a hearing is held, in which event the final decision shall be made within 120 days of receipt of the appeal. The communication containing the Plan Administrator's decision shall be in writing and shall be written in a manner calculated to be understood by the claimant. The communication shall include specific reasons for the Plan Administrator's decision and specific references to the pertinent Plan provisions on which the decision is based. The communication shall also inform the claimant of the limitation on any further action by the claimant set forth in Section 13.8.

13.8 Limitations of Actions on Claims: The delivery to the claimant of the final decision of the Plan Administrator with respect to a claim for benefits under Section 13.6 that has been reviewed and considered under the appeal procedures of Section 13.7 shall commence the period during which the claimant may bring legal action under ERISA for judicial review of the Plan Administrator's decision. No civil action with respect to the claim for benefits or the subject matter thereof may be

commenced by the claimant, whether such action is pursued through litigation, arbitration or otherwise, prior to the completion of the claims and claims review process set forth in Sections 13.6 and 13.7, nor following the expiration of two (2) years from the date of delivery of the final decision of the Plan Administrator to the claimant under Section 13.7.

13.9 Compensation and Expenses of Plan Administrator: The Plan Administrator may engage the services of any person, including counsel, whose services, in the opinion of the Plan Administrator, are necessary to assist it in carrying out its responsibilities under the Plan. The Employer may direct the Trustee to pay any expenses properly and actually incurred for such services from the Trust Fund, including such reasonable compensation for services provided by the Plan Administrator as shall have been agreed upon between them, or, alternatively, the Employer may pay such expenses or compensation directly, provided, however, that no individual acting as Plan Administrator shall receive any compensation if he already receives full-time pay from the Employer.

13.10 Removal or Resignation: A Plan Administrator may be removed by the Board of Directors of the Plan Sponsor upon 30 days written notice, and may resign upon 30 days written notice to the Board of Directors. Upon such removal or resignation, or the inability of the Plan Administrator for any other reason to act as Plan Administrator, the Board of Directors shall appoint a successor Plan Administrator, The successor Plan Administrator, upon written acceptance, shall have all the duties and responsibilities of a Plan Administrator herein. The former Plan Administrator shall deliver to the successor Plan Administrator all records and documents that it holds relating to the Plan upon removal or resignation.

13.11 Records of Plan Administrator: The Plan Sponsor shall have access, upon request, to all the records of the Plan Administrator that relate to the Plan.

13.12 Other Responsibilities: Nothing in this Article shall be construed to limit the responsibilities and duties allocated to the Plan Administrator in other Articles of this Plan.

ARTICLE XIV
THE TRUSTEE

14.1 Appointment of Trustee: The Board of Directors of the Plan Sponsor shall appoint the Trustee. Nothing in this Plan shall prevent the Plan Sponsor from appointing multiple Trustees or creating multiple Trust Funds, each with separate Trustees. If more than one person is appointed as Trustee of a single Trust Fund, they shall act by majority vote; provided, however, that they shall act by unanimous vote at any lime when there are only two Trustees. In the event there is more than one Trustee, the reference to Trustee shall be deemed to refer to all the Trustees.

14.2 Acceptance by Trustee: The Trustee shall accept its appointment by executing a separate trust agreement in a form acceptable to the Trustee and Employer. Subject to Section 14.3, the provisions of the separate Trust Agreement shall control over those in this Plan, to the extent such provisions define the duties of the Trustee with respect to the Trust Fund.

14.3 Provisions of Trust Agreement: The separate Trust Agreement shall authorize and empower the Trustee to invest up to 100% of the Trust Fund in Employer Securities. The Trust Agreement shall also authorize and empower the Trustee to engage in Exempt Loan transactions on behalf of the Plan. An Exempt Loan transaction is a loan to the Trust that is primarily for the benefit of the Participants and their Beneficiaries and further satisfies the following terms and conditions:

(a) The Trustee will use the proceeds of the loan, within a reasonable time after receipt, only for any or all of the following purposes: (i) to acquire Employer Securities, (ii) to repay such loan, or (iii) to repay a prior Exempt Loan. Except as provided under Article XXII, no Employer Security acquired with the proceeds of an Exempt Loan may be subject to a put, call or other option, or buy-sell or similar arrangement while held by and when distributed from this Plan, whether or not this Plan is then an employee stock ownership plan.

(b) At the time the Exempt Loan is made the interest rate for the Exempt Loan must be reasonable and in combination, the rate of interest for the Exempt Loan and the price of the Employer Securities to be acquired with the Exempt Loan proceeds shall not be such that Plan assets may be drained off.

(c) Any collateral the Trustee pledges to the creditor must consist only of the assets purchased by the borrowed funds and those assets the Trust used as collateral on the prior Exempt Loan repaid with the proceeds of the current Exempt Loan.

(d) The creditor may have no recourse against the Trust under the Exempt Loan except with respect to such collateral given for the Exempt Loan, contributions (other than contributions of Employer Securities) that the Employer makes to the Trust to meet its obligations under the Exempt Loan, and earnings attributable to such collateral and the investment of such contributions. The payment made with respect to an Exempt Loan by the Plan during a Plan Year must not exceed an amount equal to the sum of such contributions and earnings received during or prior to the year less such payments in prior years. The Advisory

Committee and the Trustee must account separately for such contributions and earnings in the books of account of the Plan until the Trust repays the Exempt Loan.

(e) The Exempt Loan must provide for transfer of Plan assets upon default only upon and to the extent of the failure of the Plan to meet the payment schedule of the Exempt Loan.

(f) The Trustee must add and maintain all assets acquired with the proceeds of an Exempt Loan in a Suspense Account. In withdrawing assets from the Suspense Account, the Trustee will apply the provisions of Treas. Reg. §§54.4975-7(b)(8) and (15) as if all securities in the Suspense Account were encumbered. Upon the payment of any portion of the loan, the Trustee will effect the release of assets in the Suspense Account from encumbrances. For each Plan Year during the duration of the Exempt Loan, the number of Employer Securities released must equal the number of encumbered Employer Securities held immediately before release for the current Plan Year multiplied by a fraction. The numerator of the fraction is the amount of principal and interest paid for the Plan Year. The denominator of the fraction is the sum of the numerator plus the principal and interest to be paid for all future Plan Years. The number of future Plan Years under the loan must be definitely ascertainable and must be determined without taking into account any possible extension or renewal periods. If the interest rate under the Exempt Loan is variable, the interest to be paid in future Plan Years must be computed by using the interest rate applicable as of the end of the Plan Year. If collateral includes more than one class of Employer Securities, the number of Employer Securities of each class to be released for a Plan Year must be determined by applying the same fraction to each such class. The Plan Administrator will allocate assets withdrawn from the Suspense Account to the Accounts of Participants who otherwise share in the allocation of the Employer's Contribution for the Plan Year for which the Trustee has paid the portion of the Exempt Loan resulting in the release of the assets. The Plan Administrator will make this allocation consistently as of each Accounting Date on the basis of non-monetary units, taking into account the relative Compensation of all such Participants for such Plan Year.

(g) The loan must be for a specific term and may not be payable at the demand of any person except in the case of default.

(h) Notwithstanding the fact this Plan ceases to be an employee stock ownership plan, Employer Securities acquired with the proceeds of an Exempt Loan will continue after the Trustee repays the loan to be subject to the provisions of Treas. Reg. §§54.4975-7(b)(4), (10), (11) and (12) relating to put, call or other options and to buy-sell or similar arrangements, except to the extent these regulations are inconsistent with Code §409(h).

14.4 Participant Voting Rights: The separate Trust Agreement shall provide for voting Employer Securities by Participants in the following manner.

(a) With respect to the voting of Employer Securities that are not part of a registration-type class of securities (as defined in Code §409(e)(4)), a Participant (or Beneficiary) has the right to direct the Trustee regarding the voting of such Employer Securities allocated to his Employer Securities Account with respect to any corporate matter that involves the

approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or such similar transaction as the Treasury may prescribe in regulations.

(b) With respect to Employer Securities allocated to the Participant's Employer Securities Account that are part of a registration type class of securities, a Participant's right to direct the Trustee to vote such Employer Securities shall extend to all corporate matters requiring a vote of stockholders. The Plan Administrator shall cause to be prepared and delivered to each Participant a notice of the stockholders' meeting with a descriptive statement of the items upon which the Participant may exercise his right to direct the Trustee's vote. Each Participant shall be given notice that if he fails to exercise his voting rights, the Trustee may elect to vote the Employer Securities allocated to the Participant's Account.

The Trustee may vote any Employer Securities described in subsection (b) as to which a Participant (or Beneficiary) fails to direct a vole as authorized by this Section 14.4. The Trustee shall not vole any Employer Securities described in subsection (a) as to which a Participant is entitled to direct the Trustee to vote and the Trustee receives no direction from the Participant.

14.5 Investment Committee: In the event of appointment of an Investment Committee by the Plan Administrator, then except to the extent responsibility for certain Plan assets has been allocated to an Investment Manager as provided in Section 13.4, the Investment Committee is authorized and empowered to direct investment of the Trust Fund, consistent with the terms of the separate Trust Agreement. The Investment Committee shall direct investment and reinvestment of the Trust Fund to keep the Trust Fund invested without distinction between principal and income and in such securities or property, real or personal, wherever situated, as the Committee shall deem advisable consistent with the investment policy of the Plan established under Article XVIII. The Committee shall give due regard to any limitations imposed by the Code or ERISA so that at all limes this Plan may qualify as a qualified Plan and Trust.

14.6 Liability for Plan Expenses: The Plan specifically permits the payment of Plan administration and operation expenses from the Plan's Trust Fund. Moreover, the Plan also permits the allocation of certain administration expenses to an individual Participant's Account whenever an expense can be specifically determined and the Participant's Account identified that gives rise to the expense. Expenses not attributable to particular Participant Accounts but nevertheless payable from the Trust Fund may be allocated among all Participant Accounts pro rata, or by any other appropriate method. The Plan Sponsor shall determine in its sole discretion the extent to which Plan administration and operation expenses shall be paid from the Trust Fund or from individual Participant Accounts, provided that all such payments and charges shall comply with ERISA and all regulations and other guidance issued by the Department of Labor. The Plan Sponsor shall be entitled to reimbursement from the Plan for payment of all Plan expenses advanced by the Plan Sponsor (whether charged to an individual Participant's Account or the Trust Fund as a whole) that are reasonably subject to reimbursement pursuant to ERISA and DOL regulations and other guidance, provided that no reimbursement to the Plan Sponsor shall be made with respect to any charge applicable to an individual Participant's Account unless the Participant has been previously informed through a summary plan description or similar document that his or her Account may be subject to such charges.

14.7 Payment From the Trust Fund: At the direction of the Plan Administrator, the Trustee shall, from time to time, in accordance with the terms of the Plan, make payments out of the Trust Fund. The Trustee shall not be responsible in any way for the application of such payments.

ARTICLE XV
THE EMPLOYER

15.1 Notification: The Plan Sponsor shall notify the Plan Administrator and the Trustee in writing if a new Plan Administrator or Trustee has been appointed hereunder.

15.2 Record Keeping: Each participating Zions Employer shall maintain records with respect to each Employee sufficient to enable the Plan Administrator and Trustee to fulfill their duties and responsibilities under the Plan.

15.3 Bonding: The Plan Administrator shall procure bonding to insure the Plan against risk of loss. The persons to be bonded and the amount necessary shall be determined in accordance with ERISA and regulations thereunder. No bonding shall be required pursuant to state law.

15.4 Signature of Employer: All persons dealing with the Plan may rely on any document executed in the name of the Plan Sponsor by its corporate President, Vice-President, or other duly authorized corporate officer, or by any other individual duly authorized by its Board of Directors, whether retroactive or prospective.

15.5 Plan Counsel and Expenses: The Plan Sponsor may engage the service of any person or organization, including counsel, whose services, in the opinion of the Plan Sponsor are necessary for the establishment or maintenance of this Plan. The expenses incurred or charged by a person or organization engaged by the Plan Sponsor pursuant to the previous sentence shall be paid by the Plan Sponsor, or alternatively, the Plan Sponsor may direct the Trustee to pay such expenses from the Trust Fund.

15.6 Other Responsibilities: Nothing in this Article shall be construed to limit the responsibilities or duties allocated to the Plan Sponsor and Zions Employers in other Articles of the Plan.

15.7 Affiliated Groups:

(a) For purposes of crediting Hours of Service, all employees of all corporations or entities that are members of an Affiliated Group and all employees of any other entity required to be aggregated with the Employer pursuant to regulations under Code §414(o) shall be treated as employed by a single Employer for purposes of Article III (Service), Article IV (Eligibility), Article V (Contributions) and Article XI, (Vesting). Except as provided in Section 7.1, all employees of all corporations or entities that are members of an Affiliated Group and all employees of any other entity required to be aggregated with the Employer pursuant to regulations under Code §414(o) shall be treated as employed by a single Employer.

(b) If the Employer is a member of a Affiliated Group and if such group maintains more than one qualified retirement plan that is integrated with Social Security, only a single integration level shall be applicable to each Participant who is a Participant in one or more integrated plans. The integration level for each Participant shall be prorated in each integrated plan in the ratio that the Annual Compensation received by the Participant from

the member of the group maintaining the integrated plan bears to the Annual Compensation received by the Participant from all members of the group maintaining all such integrated plans.

(c) If more than one Employer has adopted this Plan and if all such Employers are members of the same Affiliated Group:

  (c) The provisions of Articles XVI and XVII shall be applicable to each adopting Employer as an individual Employer;

  (ci) The provisions of Section 15.7(a) through (c) shall not be applicable to such adopting Employers; and

  (cii) The "effective date" for any adopting Employer who adopts this Plan on other than the Effective Date shall be the first day of the Plan Year in which such adopting Employer shall first elect to be covered by this Plan.

15.8 Employer Contributions: Each participating Zions Employer shall contribute to the Plan that Employer's share of Employer Contributions, as determined by the Plan Administrator.

ARTICLE XVI
PLAN AMENDMENT OR MERGER

16.1 Power to Amend: The Plan Sponsor and the Plan Administrator shall each have the power to amend, alter, or wholly revise the Plan, prospectively or retrospectively, at any time, and the interest of every Participant is subject to the power so reserved. The Plan Administrator shall not exercise its power to amend without consent of the Plan Sponsor unless the Plan Sponsor has ceased to operate as a viable business entity or has filed or is subject to a petition under Chapter 7 of the U.S. Bankruptcy Code.

16.2 Limitations on Amendments: Upon execution of any amendment, the Employer, Plan Administrator, Trustees, Participants and their Beneficiaries shall be bound thereby; provided, however, that no amendment:

(a) shall enlarge the duties or responsibilities of the Plan Administrator or Trustee without its consent; or

(b) shall cause any part of the assets contributed to the Plan to be diverted to any use or purpose other than for the exclusive benefit of the Participants and their Beneficiaries (including the reasonable cost of administering the Plan) prior to the satisfaction of all liabilities (fixed and contingent) under the Plan to Participants and their Beneficiaries; or

(c) shall reduce the vesting percentage of any Participant, Former Participant, or Beneficiary; or

(d) shall reduce or restrict the Account Balance of any Participant, Former Participant or Beneficiary; or

(e) shall eliminate an optional form of benefit, with respect to benefits attributable to service before the amendment.

Notwithstanding the above, any amendment may be made that may be or become necessary in order that the Plan will conform to the requirements of Code §401(a), or of any generally similar successor provision, or in order that all of the provisions of the Plan will conform to all valid requirements of applicable federal and state laws.

16.3 Method of Amendment: If the Plan is amended by the Plan Sponsor, the amendment shall be staled in an instrument in writing signed in the name of the Plan

Sponsor by a duly authorized corporate officer, or by any other individual duly authorized by the Plan Sponsor, whether retroactive or prospective. If the Plan is amended by the Plan Administrator, the amendment shall be stated in an instrument in writing signed in the name of the Plan Administrator by the individual duly authorized by the Plan Administrator for that purpose, whether retroactive or prospective.

16.4 Notice of Amendment: Written notice of each amendment shall be given promptly by the Plan Sponsor to any other Employers, the Plan Administrator and the Trustee.

16.5 Merger or Consolidation: This Plan and Trust may be merged or consolidated with, or its assets or liabilities may be transferred to, any other plan only if the benefits that would be received by each Participant of this Plan, in the event of a termination of the Plan immediately after such merger, consolidation or transfer, are at least equal to the benefits the Participant would have received if the Plan had terminated immediately before the merger, consolidation or transfer. The Trustee possesses the specific authority to enter into merger agreements or direct transfer of assets agreements with the Trustees of other retirement plans described in Code §401(a) and to accept the direct transfer of Plan assets, or to transfer Plan assets, as a party to any such agreement. Notwithstanding the foregoing, this Plan shall not enter into any merger or transfer agreement to transfer assets to this Plan from a plan that is subject to the provisions of Code §417.

The Trustee may accept a direct transfer of Plan assets on behalf of an Employee prior to the date the Employee satisfies the Plan's eligibility condition(s). If the Trustee accepts such a direct transfer of Plan assets, the Advisory Committee and Trustee shall treat the Employee as a Participant for all purposes of the Plan except the Employee shall not make Elective Deferral contributions under Article V nor shall the Employee share in Employer contributions or Participant forfeitures under Article VI until he actually becomes a Participant in the Plan.

The Trustee shall hold, administer and distribute the transferred assets as a part of the Trust Fund and the Trustee shall maintain a separate Predecessor Plan Account for the benefit of the Employee on whose behalf the Trustee accepted the transfer in order to reflect the value of the transferred assets.

ARTICLE XVII
TERMINATION OR DISCONTINUANCE OF CONTRIBUTIONS

17.1 Right to Terminate: The Plan Sponsor may terminate the Plan at any time by a written resolution by the Board of Directors specifying the termination date. The Plan Sponsor shall promptly notify the Plan Administrator, Trustee and any other Employers of such action. Further, the Plan Sponsor shall notify all Participants and Former Participants of such action, and shall file all required reports with federal agencies, in accordance with applicable regulations.

17.2 Effect of Termination: In the event of a Plan termination or a complete discontinuance of Employer Contributions, the rights of all affected Participants to their Accrued Benefits as of the dale of such termination shall be fully vested and shall not thereafter be subject to forfeiture, except to the extent that law or regulation may preclude such vesting in order to prohibit discrimination in favor of officers, shareholders, or highly compensated Employees. For purposes of the preceding sentence, a Participant who has terminated employment with the Employer and incurred five consecutive One Year Breaks in Service as of the termination date shall not be considered to be affected by such Plan termination, and shall be vested in his Accrued Benefit only to the extent provided in the other applicable Articles of this Plan. All rights of Participants in this Plan affecting Employer Securities held in trust for the benefit of Participants shall continue notwithstanding any Plan termination.

17.3 Manner of Distribution: In the event of a Plan termination, the Plan Administrator shall direct the Trustee to distribute the Accrued Benefits of all Participants, Former Participants, and Beneficiaries in accordance with Article IX or Article XI.

Notwithstanding the above, no payment shall be made to a Participant from his Participant Elective Deferral Account (or any other Account the contributions to which have been included in the Deferral Account for the Participant) unless or until such time as the Participant:
(a) is eligible for Retirement Benefits as provided in Article IX;
(b) dies;
(c) has a severance from employment;
(d) attains the age of 59 $^{1}/_{2}$;
(e) incurs a Disability; or
(f) incurs a Financial Hardship.

All Elective Deferral Accounts shall be maintained by the Trustee and distributed at such time and in such manner as previously provided herein. Alternatively, the balance in such Accounts may be transferred to another plan maintained or established by the Employer that qualifies under Code §401(a) as provided above, but only if such other plan contains the same restrictions on the distribution of such transferred amounts as described in the preceding paragraph.

17.4 No Reversion: No termination or amendment of this Plan and Trust and no other action shall divert any part of the funds to any purpose other than the exclusive benefit of Participants,
Former Participants or their Beneficiaries except, and notwithstanding any other provision of this Plan to the contrary, any amount held in an unallocated suspense account that cannot be allocated to any Participant due to the limitations of Article VIII may be returned to the Employer upon termination of the Plan.

17.5 Termination of an Employer: An Employer, other than the Plan Sponsor, may terminate its participation in the Plan at any time by a written resolution by the Board of Directors specifying the termination date. The Employer shall promptly notify the Plan Sponsor, Plan Administrator and Trustee of any such action or direction. The participation of an Employer in the Plan shall also terminate in the event of a complete discontinuance of contributions by such Employer.

17.6 Partial Termination: A partial termination of the Plan may be deemed to have occurred if a significant percentage of Participants are excluded from coverage by reason of amendment of the Plan, severance by an Employer or termination of an Employer, or if the Plan is amended to adversely affect the rights of employees to vest in benefits under the Plan or to reduce or eliminate future benefit accruals under the Plan. The determination of whether a partial termination has occurred shall be made on the basis of the facts and circumstances in a particular case.

17.7 Effect of Partial Termination: In the event of a partial termination of the Plan, the provisions of Section 17.2 shall apply to those Participants affected by the partial termination.

ARTICLE XVIII
FUNDING POLICY FOR PLAN BENEFITS

18.1 Funding Method: The benefits provided by this Plan shall be funded by contributions of the Employer. Employer Non-Elective contributions and Employer Matching Contributions shall consist entirely of Employer Securities. The Employer may make its Non-Elective Contribution or its Matching Contribution in cash or in kind, provided however, that if the Non-Elective Contribution or the Matching Contribution is made in cash, the Plan shall immediately acquire Employer Securities with the entire amount of the Non-Elective Contribution and Matching Contribution and if the Non-Elective Contribution or the Matching Contribution is made in kind, it shall be made in the form of Employer Securities only. Elective Deferral Contributions shall be made in cash only. All Employer Contribution amounts shall be determined as provided in this Plan.

18.2 Investment Policy: This Plan has been established for the sole purpose of providing benefits to the Participants and their Beneficiaries. In determining investment directions hereunder, the Investment Committee shall lake account the investment policy rules and limitations provided in the Plan, the advice provided by the Plan Administrator as to funding policy, and the short and long-range needs of the Plan based on the evident and probable requirements of the Plan as to the lime benefits shall be payable and the requirements therefor. Benefits may be provided through any combination of investment media designed to provide the requisite liquidity, growth and security appropriate to this Plan.

The following rules shall apply as of the Effective Date with respect to the investment of contributions to the Plan (regardless of source) and existing Accounts in the Plan.
(a) Subject to Section 18.6(e), no Participant shall direct investment into or out of Employer Securities in any Account. Effective January 1, 2007, this restriction shall apply only with respect to Employer Securities in the Employer Non-Elective Contribution Account.
(b) Contributions to the Participant Elective Deferral Account shall be invested exclusively in the General Investments Account. Amounts in a Participant Elective Deferral Account as of the Effective Date, including earnings and dividends thereon, may not be transferred between the General Investments Account and Employer Securities Account.
(c) Contributions to the Employer Matching Contribution Account shall be invested exclusively in the Employer Securities Account.
(d) Contributions to the Participant Voluntary Contribution Account shall be invested exclusively in the Employer Securities Account.
(e) Contributions to the Participant Rollover Account shall be invested exclusively in the General Investments Account. Amounts in the Participant Rollover Account

as of the Effective Date, including earnings and dividends thereon, may not be transferred between the General Investments Account and Employer Securities Account.

(f) Amounts in the Paysop Account as of the Effective Date, including earnings and dividends thereon, shall remain in the Employer Securities Account and may not be transferred between the General Investments Account and Employer Securities Account.

(g) Contributions to the Employer Non-Elective Contribution Account shall be invested exclusively in the Employer Securities Account.

(h) All restrictions in the foregoing subsections to investment direction into or out of Employer Securities or transfer of Employer Securities to or from the Employer Securities Account shall be subject to the dividend investment rules of Section 6.3(e) and the diversification provisions of Section 6.6.

18.3 No Purchase of Life Insurance Contracts: Unless authorized by the Plan Sponsor pursuant to amendment to this Article XVIII, no insurance contracts shall be purchased by the Trustee on the life of any Participant.

18.4 General Investments and Dividend Accounts: Benefits for Participants, to the extent not funded through Employer Securities, shall be funded through the General Investments and Dividend Accounts. The General Investments Account may consist of any investment media offered by the Trustee or through the purchase of shares in any regulated investment company as defined in Code §851(a), or through any investment proper and appropriate to be made by the Trustee in accordance with Article XIV, or through any combination of such investments other than Employer Securities. Rules and procedures for the operation of the General Investments Account and Participant direction of investment therein are set forth in Section 18.6.

All cash dividends received and held in a Participant's Dividend Account shall be invested in the stable asset fund described in section 18.6(b) until invested in Employer Securities or distributed in cash pursuant to the Participant's election under Section 6.3(e). Effective July 24, 2006, all dividends attributable to Employer Securities shall be subject to the same Participant investment direction rights as the Employer Securities that were the source of the dividend.

18.5 Non-transferability of Annuity Contracts: In the event the assets of the Trust Fund include allocated annuity contracts, all incidents of ownership in such contracts may be exercised by the Trustee, as directed by the Plan Administrator, except to the extent any death benefits payable thereunder may be paid to the Beneficiary designated by the Participant. All such contracts shall provide that the owner may not change the ownership of the contract, nor may it be sold, assigned or pledged as collateral for a loan, as security for the performance of an obligation, or for any other purpose to anyone. No annuity contract may be delivered to a Participant as a distribution from the Plan.

18.6 Establishment of Separate Funds: There is hereby reserved to the Plan Administrator (or the Committee designated by the Plan Administrator for this purpose) the right to direct the Trustee to establish separate investment funds within the General Investments Account. The Plan Administrator (or Committee) may follow different investment policies with respect to each investment fund so established. In the sole discretion of the Sponsoring Employer a Participant, Inactive Participant, Beneficiary or Alternate Payee shall be allowed to direct the Trustee to invest the amounts in his or her
General Investments Account, consistent with the rules in this Section 18.6, in any or all of the investment Funds. The following administrative rules shall apply if such Funds are established:

(a) Income, gains and losses from each investments Fund will be reinvested in the same Fund and credited only to the General Investments Accounts of those Participants who have a balance in such Fund, in a manner consistent with Section 6.3.

(b) At least one Fund shall be a stable asset fund that invests in cash equivalent securities and contracts. For this purpose "cash equivalent securities and contracts" shall mean short term U. S. Government obligations, prime commercial paper, certificates of deposit, savings accounts in banks or savings and loan associations, guaranteed interest contracts and pooled funds that invest exclusively in some or all of the foregoing.

(c) Each Participant shall be entitled to direct the portion of the contributions made to his/her General Investments Account that are to be invested in each of the investment funds available. Upon the occurrence of any event or decision of the Plan Administrator that results in the deletion of any of the investment funds, that replaces any such fund with another fund, or that adds a new investment fund, the Plan Administrator shall designate a default investment fund or funds into which contributions on behalf of a Participant shall be invested in the event no specific direction for investment is made by the Participant. The Plan Administrator shall designate a default investment fund for any Participant or Beneficiary (including any Beneficiary by virtue of a Qualified Domestic Relations Order) who does not provide for investment instructions with respect to his/her General Investments Account into any investment fund under this Section 18.6. Effective January 1, 2008, or as soon thereafter as the Plan Administrator shall have selected a "Qualified Default Investment Alternative," as defined in DOL Reg. §2550.404c-5(e)) ("QDIA"), and for all Plan Years commencing after that date, the default investment fund shall be the designated QDIA. Upon selection of the QDIA the Plan Administrator shall notify each Employee in the Plan of the default investment option if an Employee fails to provide the Plan Administrator with investment instructions for his/her Account. The Notice shall be written in a manner calculated to be understood by the average Plan Participant and shall be provided to the Participant at least 30 days (or if alter, as soon as possible following the Employment Commencement Date) prior to the beginning of each Plan Year. The Notice shall include an explanation of:

  (a) the circumstances under which the Participant's Account will be invested in a QDIA in the absence of any other investment election by the Employee,

  (b) the right of Participants and Beneficiaries to direct the investment of assets in their individual accounts, including a description of:

    (a) the QDIA and its investment objectives, risk and return characteristics (if applicable), and attendant fees and expenses;

    (b) the right of Participants and Beneficiaries on whose behalf assets are invested in a QDIA to direct the investment of those assets to any other investment

alternative under the Plan, including a description of any applicable restrictions, fees or expenses in connection with a transfer; and

    (C) where Participants and Beneficiaries can obtain investment information concerning the other investment alternatives available under the Plan.

(C) Each Participant shall have the right to change the portion of succeeding contributions to be invested in each Fund and the right to direct that the asset balance or any portion thereof in any Funds in his General Investments Account be liquidated and the proceeds thereof transferred to any other Fund. Changes in Fund investments pursuant to Participant direction shall be made effective as provided under procedures negotiated between the Plan and the Trustee (or custodian, if appointed by the Plan Administrator or Trustee), which procedures may include daily movement of General Investment Account moneys between Funds, provided valuation of the Funds is also conducted daily.

(CI) A Participant may not direct (except as provided in Section 6.3(e)) any investment into the Employer Securities Account or (except as provided in Section 6.6) the liquidation or sale of any Employer Securities in that Account. Effective January 1, 2007, a Participant may direct investment into the Employer Securities Account from any other sub-account in the Plan, with the exception of the Dividend Account, which shall continue to be subject to the rules in Section 18.4.

(CII) The Plan Administrator may establish reasonable rules regarding:

  (C) The number and types of Funds that shall be available to the General Investments Account.

  (CI) The maximum number of Funds that may be utilized by an individual Participant or by the General Investments Account.

  (CII) The minimum, maximum and incremental percentages of contributions that may be invested in a particular Fund.

  (CIII) The minimum, maximum and incremental percentages of the current balance in the General Investments Account in any Fund that may be transferred to another Fund.

These rules shall be in writing and shall be administered in a uniform and non-discriminatory manner.

ARTICLE XIX
TOP-HEAVY PROVISIONS

19.1 Application: The provisions of this Article XIX shall apply and shall supersede any conflicting provisions contained in any other Article of this Plan for purposes of determining whether the Plan is a top-heavy plan under Code §416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Code §416(c) for such years. For Plan Years prior to January 1, 2002, the provisions of the Prior Plan shall apply.

19.2 Special Definitions: For purposes of this Article and related Plan provisions, the following terms shall have the following meanings unless a different meaning is plainly required by the context:

(a) **"Determination Date"** shall mean, for any Plan Year subsequent to the first Plan Year, the last day of the preceding Plan Year. For the first Plan Year of the Plan the Determination Date shall mean the last day of that Plan Year.

(b) **"Five Percent Owner"** shall mean:

  (a) if the Employer is a corporation, any person who owns (or is considered as owning within the meaning of Code §318) more than 5% of the outstanding stock of the corporation or stock possessing more than 5% of the total combined voting power of all stock of the corporation; or

(b) if the Employer is not a corporation, any person who owns more than 5% of the capital or profits interest in the Employer.

(c) **"Key Employee"** shall mean any Employee or former Employee (and any Beneficiary of the Employee) who at any time during the Plan Year that includes the Determination Date was:

(a) an officer of the Employer having Top Heavy Compensation greater than $130,000 (as adjusted under Code §416(i)(l) for Plan Years beginning after December 31, 2002),

(b) a Five Percent Owner of the Employer, or

(c) a One Percent Owner of the Employer having annual compensation of more than $150,000.

For purposes of subparagraph (1), no more than 50 Employees (or, if lesser, the greater of 3% or 10% of the number of Employees) shall be treated as officers.

For purposes of determining who is a Five-Percent or a One-Percent Owner in subparagraphs (2) and (3) above, the rules of subsections (b), (c) and (m) of Code §414 do not apply. Beneficiaries of an Employee acquire the character of the Employee who performed service for the Employer. Inherited benefits will retain the character of the benefits of the Employee who performed services for the Employer.

(d) **"Non-Key Employee"** shall mean any Employee or Inactive Employee (and any Beneficiary of such Employee) who is not a Key Employee. Non-Key Employees include Employees who are Inactive Key Employees.

(di) **"One Percent Owner"** shall mean:

(d) if the Employer is a corporation, any person who owns (or is considered as owning within the meaning of Code §318) more than 1% of the outstanding stock of the corporation or stock possessing more than 1% of the total combined voting power of all stock of the corporation; or

(di) if the Employer is not a corporation, any person who owns more than 1 % of the capital or profits interest in the Employer.

(dii) **"Permissive Aggregation Group"** shall mean the Required Aggregation Group of plans plus any other plan or plans of the Employer that, when selected and considered by the Employer as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code §§401(a)(4) and 410.

(diii) **"Present Value"** shall mean the actuarial present value of an amount or series of amounts determined based on the Top-Heavy determination provisions of a defined benefit plan that is part of a Required Aggregation Group or Permissive Aggregation Group with this Plan.

(div) **"Required Aggregation Group"** shall mean:

(d) each qualified plan of the Employer in which at least one Key Employee participates in the Plan Year containing the Determination Date or any of the four preceding plan years (regardless of whether the plan has terminated; and

(di) any other qualified plan of the Employer that enables a plan described in subparagraph (1) to meet the requirements of Code §§401(a)(4) or 410.

(dv) **"Top Heavy Average Monthly Compensation"** shall mean 1/12th of the average of a Participant's Top-Heavy Compensation during the five consecutive Plan Years (or the total number of such years of the Participant's employment, if fewer than five) that produces the highest average, but taking into account only Top-Heavy Compensation for years that this Plan was Top-Heavy and any years preceding a year that this Plan was Top-Heavy.

(dvi) **"Top-Heavy Compensation"** shall have the same meaning as the term 'Compensation' defined in Section 7.1(b). Top Heavy Compensation includes all Compensation paid for the Limitation Year without regard to when the Participant commenced participation in the Plan.

(k) **"Top-Heavy Ratio"** shall mean and be determined as follows:

(k) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan or any defined contribution plan terminated within the one (1) year period ending on the Determination Date) and the Employer has never maintained any defined benefit plan that has covered or could cover a Participant in this Plan, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date and the denominator of which is the sum of all account balances of all Participants as of the Determination Date. Both the numerator and denominator of the Top-Heavy Ratio shall be adjusted to reflect any part of any account balance distributed in the one (1) year period ending on the Determination Date, including distributions under a terminated plan that, had it not been terminated, would have been aggregated with the Plan under Code §416(g)(2)(A)(i), and any contribution that is due but unpaid as of the Determination Date. In the case of any distribution made for a reason other than severance from employment, death, or disability, the phrase "5-year period" shall be substituted for "1-year period" in the preceding two sentences. In the case of a defined contribution plan that is not subject to Code §412, the adjustment for contributions due but unpaid is generally the amount of any contributions actually made after the Top-Heavy Valuation Date but on or before the Determination Date; however, for the first plan year of such a plan, the adjustment shall also reflect the amount of any contributions made after the Top-Heavy Valuation Date that are allocated as of a date in that first plan year. In the case of a defined contribution plan that is subject to Code §412, the account balances shall include contributions that would be allocated as of a date not later than the Determination Date, even though those amounts are not yet required to be contributed; furthermore, the adjustment for contributions due but unpaid shall reflect the amount of any contribution actually made (or due to be made) after the Top-Heavy Valuation Date but before the expiration date of the extended payment period in Code §412(c)(10).

(l) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans that have covered or could cover a Participant in this Plan, the Top-Heavy Ratio is a fraction, the numerator of which is the sum of account balances under the defined contribution plans for all Key Employees and the Present Value of accrued benefits under the defined benefit plans for all Key Employees, and the denominator of which is the sum of the account balances under the defined contribution plans for all Participants and the Present Value of accrued benefits under the defined benefit plans for all Participants. Both the numerator and denominator of the Top-Heavy Ratio are adjusted for any part of any account balance or accrued benefit distributed in the one (1) year period ending on the Determination Date and any contribution to a defined contribution plan due but unpaid as of the Determination Date. In the case of any distribution made for a reason other than severance from employment, death, or disability, the phrase "5-year period" shall be substituted for "1-year period" in the preceding sentence. In the case of a defined

contribution plan that is not subject to Code §412, the adjustment for contributions due but unpaid is generally the amount of any contributions actually made after the Top-Heavy Valuation Date but on or before the Determination Date; however, for the first plan year of such a plan, the adjustment shall also reflect the amount of any contributions made after the Top-Heavy Valuation Date that are allocated as of a date in that first plan year. In the case of a defined contribution plan that is subject to Code §412, the account balances shall include contributions that would be allocated as of a date not later than the Determination Date, even though those amounts are not yet required to be contributed; furthermore, the adjustment for contributions due but unpaid shall reflect the amount of any contribution actually made (or due to be made) after the Top-Heavy Valuation Date but before the expiration date of the extended payment period in Code §412(c)(10).

(3) For purposes of (1) and (2) above, the value of account balances and the Present Value of accrued benefits shall be determined as of the most recent Top-Heavy Valuation Date that falls within or ends with the twelve month period ending on the Determination Date. The account balances and accrued benefits of

a Participant who is not a Key Employee but who was a Key Employee in any prior year shall be disregarded. The account balances and accrued benefits of any Participant who has not performed any service for the Employer at any time during the one (1) year period ending on the Determination Date shall be disregarded. In the case of a defined benefit plan, the Present Value of Accrued Benefits shall not reflect any proportional subsidies and shall reflect any non-proportional subsidies provided by the plan. The calculations of the Top-Heavy Ratio, and the extent to which distributions, rollovers and transfers are taken into account shall be made in accordance with Code §416 and the Regulations thereunder. In the case of unrelated rollovers and transfers: (1) the plan making the distribution or transfer shall count the distribution as part of an accrued benefit distributed; and (2) the plan accepting the rollover or transfer shall not consider the rollover or transfer as part of the accrued benefit if such rollover or transfer was accepted after December 31, 1983, and shall consider the rollover or transfer as part of the accrued benefit if such rollover or transfer was accepted prior to January 1, 1984. In the case of related rollovers and transfers, the plan making the distribution or transfer shall not count the distribution or transfer as part of an accrued benefit distributed, and the plan accepting the rollover or transfer shall count the rollover or transfer as part of the accrued benefit. Deductible employee contributions shall not be taken into account for purposes of computing the Top-Heavy Ratio. When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

For purposes of the above, a Participant's Accrued Benefit in a defined benefit plan shall be determined under a uniform accrual method that applies for all defined benefit plans maintained by the Employer or, if there is no such method, under the method described in Code §411(b)(1)(C) that provides the slowest rate of accrual.

(1) **"Top-Heavy Valuation Date"** shall mean the date as of which the Present Value of accrued benefits under a defined benefit plan or account balances under a defined contribution plan, that is part of a Permissive Aggregation Group or Required Aggregation Group, is determined for calculating the Top-Heavy Ratio. For a defined benefit plan, the date shall be the same as the actuarial valuation date used for computing plan costs under Code §412, regardless of whether an actuarial valuation is performed that year, For a defined contribution plan, the date shall be the last day of the plan year.

19.3 Top Heavy Status: This Plan is Top-Heavy if any of the following conditions apply:

(a) if the Top-Heavy Ratio for this Plan exceeds 60% and this Plan is not part of any Required Aggregation Group or Permissive Aggregation Group of plans;
(b) if this Plan is a part of a Required Aggregation Group of plans but not part of a Permissive Aggregation Group and the Top-Heavy Ratio for the Required Aggregation Group of plans exceeds 60%; or
(c) if this Plan is a part of a Permissive Aggregation Group of plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60%.

19.4 Top-Heavy Minimum Required Allocation: For any Plan Year in which the Plan is Top-Heavy:

(a) Except as otherwise provided below, the Employer contributions and forfeitures allocated on behalf of any Participant who is a Non-Key Employee shall not be less than the lesser of:
  (a) three percent of the Participant's Top-Heavy Compensation; or
  (b) in the case where the Employer has no defined benefit plan that designates this Plan to satisfy Code §§401 and 416(c), the largest percentage of Employer contributions and forfeitures, as a percentage of the first $200,000 (or such larger amount as may be prescribed by the Secretary of the Treasury or his delegate), of the Key Employee's Top-Heavy Compensation, allocated on behalf of any Key Employee for that year. In calculating this percentage all amounts contributed by the Employer to the Key Employee's Elective Deferral Account pursuant to a Salary Reduction Agreement shall be treated as Employer contributions. The $200,000 amount shall be adjusted each Plan Year as provided in Code §401(a)(17)(B). For any period during which the Plan Year is not or was not coincident with the calendar year, the dollar adjustment in the Annual Compensation limit for the Plan Year shall be based on the amount in effect as of January 1st for the Plan Year beginning within that calendar year.
(b) The minimum allocation shall be determined without regard to any Social Security contribution by the Employer. This minimum allocation shall be made even though, under other Plan provisions, the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because of:
  (1) the Participant's failure to complete 1,000 Hours of Service (or any equivalent provided in the Plan);
  (2) the Participant's failure to make mandatory employee contributions to the Plan;
  (3) Compensation less than a stated amount;
  (4) the Employer having no Net Profits; or
  (5) in the case of a plan qualified under Code §401(k), the Participant's failure to make elective contributions to such plan.

If a Participant is required to receive a minimum allocation under this Section and the amount exceeds the amount that the Participant would receive under other Plan provisions, the Employer shall make an additional contribution for that Participant. The additional contribution shall be allocated to the Employer Contribution Account of the Participant in the same manner as regular Employer contributions, pursuant to Article VII.

(c) The provisions in subsections (a) and (b) above shall not apply to any Participant who was not employed by the Employer on the last day of the Plan Year.
(ci) The minimum benefit requirement of this Section shall be met through contributions to this Plan regardless of whether the Employer maintains any other plan (including another plan that may consist solely of a cash or deferred arrangement that meets the requirements of Code §401(k)(12) and matching contributions with respect to which the requirements of Code §401(m)(11) are met).
(cii) Employer matching contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of Code §416(c)(2) and this Section. The preceding sentence shall apply with respect to matching contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer matching contributions that are used to satisfy the minimum contribution requirements shall be treated as matching contributions for purposes of determining M-Test Contributions under the Plan and the actual contribution percentage test and other requirements of Code §401(m).

19.5 Non-forfeitability of Minimum Top Heavy Allocation: The minimum allocation of Employer contributions or forfeitures required under Section 19.4 (to the extent required to be nonforfeitable under Code §416(b)) shall not be forfeited in the case of a suspension of benefits under Code §411(a)(3)(B) or a withdrawal of mandatory employee contributions under Code §411(a)(3)(D).

19.6 Minimum Vesting Provision: For any Plan Year in which this Plan is Top-Heavy, the following vesting schedule shall automatically apply to each Participant in the Plan, unless under Section 11.1 the Participant would be entitled to a larger vested benefit, in which case the benefit as provided in Section 11.1 shall apply to the Participant:

Years of Vesting Service	Vesting Percentage
Less than 3	—%
3 or more	100%

This vesting schedule applies to all accrued benefits within the meaning of Code §411(a)(7), except those attributable to employee contributions, including benefits accrued before the effective date of Code §416 and benefits accrued before the Plan became Top-Heavy. No reduction in vested percentage may occur in the event the Plan's status as Top-Heavy changes for any Plan Year. Any change in the Plan's vesting schedule due to a change in Top-Heavy status shall be subject to the provision of Section 11.10. However, this Section does not apply to the Accrued Benefit of any Employee who does not have an Hour of Service after the Plan has initially become Top Heavy; such Employee's Vested Interest attributable to Employer contributions and forfeitures shall be determined without regard to this Section.

19.7 Participant Elective Deferrals: Elective Deferrals shall not be taken into account in determining under Section 19.4 the amount of Employer contributions to be allocated to a Participant who is a Non-key Employee.

ARTICLE XX
PROVISIONS AFFECTING BENEFITS

20.1 Availability of Loans: Upon acceptance of an application by a Participant who is an active Employee, the Plan Administrator shall direct the Trustee to make a loan to the Participant from his Plan Accounts (including any Rollover Accounts, but excluding his Employer Securities Account and his Dividend Account), subject to the provisions of this Article. In considering a Participant's application for a loan, the Plan Administrator shall base its decision whether to grant a loan on a uniform and non-discriminatory policy, without regard to the race, color, religion, sex, age or national origin of the applicant.

20.2 Loan Administration: The Employer shall prepare and adopt a written Participant Loan Administration Policy Statement, whose provisions shall be made part

of this Plan. The Policy Statement shall set forth:

- (a) the identity of the person or persons authorized to administer the loan program;
- (b) the procedure for applying for a loan;
- (c) the basis on which loans will be approved or denied;
- (d) limitations, if any, on the types and amounts of loans offered;
- (e) the procedure for determining a reasonable rate of interest;
- (f) the types of collateral that may secure a loan; and
- (g) the events constituting default and the steps to be taken to preserve plan assets in the event of a default.

20.3 Amount of Loan: The amount of any loan to a Participant shall not be less than $1,000. When added to the outstanding balance of any previous loans made to a Participant pursuant to this Article or under any other qualified plan maintained by the Employer, the amount of any loan shall not exceed the lesser of:

- (a) Fifty percent of the Vested Interest in his Plan Accounts (including any Rollover Accounts, but excluding his Employer Securities Account, effective January 1, 2007, excluding only his Employer Non-Elective Contribution Account and his Dividend Account); or
- (b) $50,000, reduced by the excess (if any) of:
  - (a) the highest outstanding balance of loans from the plan during the one-year period ending on the day before the dale on which such loan was made, over
  - (b) the outstanding balance of loans from the plan on the date on which such loan was made.

20.4 Collateral Requirements: Any loan to a Participant shall be secured solely by the balance in his Plan Account (including any Rollover Accounts, but excluding his Employer Securities Account). In the event of default on the loan, however, foreclosure and attachment of the security shall not occur until a distributable event occurs under the Plan.

20.5 Loan Terms: Any loan made to a Participant by the Trustee shall be evidenced by a promissory note of the Participant drawn in favor of the Trust. The note shall bear a reasonable rate of interest and shall be amortized in level installments payable at least quarterly within a specified period of time not to exceed five years, unless the loan is used to acquire a dwelling unit that, within a reasonable period of time (determined at the time the loan is made), will be used as the principal residence of the Participant, in which case the specified period of time shall not exceed 10 years. Effective January 1, 2002, repayment of a loan to a Participant who is on a leave of absence may be suspended for the shorter of (i) one year or (ii) the term of the leave of absence, provided that upon commencement of repayments, the loan shall continue to satisfy all requirements of the Plan and all applicable laws and regulations. Suspension of loan repayments shall also be governed by the rules in Section 3.13(f) with respect to any Qualified Military Service.

20.6 Accounting for Loans: Any loan to a Participant pursuant to this Article shall be treated as a directed investment of his Participant Accounts (excluding his Employer Security Account). For purposes of allocating income in the General Investments Account of the Trust Fund pursuant to Section 6.3(c), the balance in his General Investments Account shall be treated as equal to the actual balance in the Account minus the outstanding balance of any loans. Furthermore, for purposes of Section 6.3, repayments of principal and interest on the loan shall be treated as deposits to the adjusted balance (determined pursuant to the preceding sentence) of his General Investments Account

20.7 Effect of Termination of Employment or Plan: If a Participant terminates employment with the Employer for any reason, the outstanding balance of any loans made to him shall become fully payable no later than the last day of the calendar quarter following the calendar quarter in which his Termination of Employment occurs, or, if earlier, on his Distribution Date. In the event of a termination of the Plan, any outstanding loans shall be due and fully payable within 90 days of the effective dale of such termination, or the date the Participant or Beneficiary is notified of such termination. If the Participant or Beneficiary has not fully repaid any loan as of the date full payment is due, any unpaid balance shall be deducted from his Vested Accrued Benefit prior to determining the amount of any immediate or deferred benefit payable to the Participant or Beneficiary, his spouse or his Beneficiary and applied toward repayment of the loan. The deduction shall be applied only against the Participant's General Investments Account.

20.8 No Spousal Consent: No spousal consent shall be required for any loan from any Account in the Plan.

20.9 Anti-Alienation: Except as specifically provided in Section 20.10 no benefit that shall be payable out of the Trust Fund to any person (including a Participant, Former Participant or Beneficiary) shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. No benefit shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or toils of any person, nor shall it be subject to attachment or legal process for or against person, and the same shall not be recognized by the Trustee, except to such extent as may be required by law.

20.10 Qualified Domestic Relations Orders: Section 20.9 shall apply to the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant, Former Participant or Beneficiary pursuant to a Domestic Relations Order, unless such Domestic Relations Order is determined to be a Qualified Domestic Relations Order ("QDRO"). In the event the Plan, the Trustee, or the Plan Administrator receives a Domestic Relations Order, the Plan Administrator shall promptly notify the Participant, Former Participant or Beneficiary whose benefit is the subject of such order and provide him with a copy of the Plan's written procedures for administering QDROs. Administration expenses incurred by the Plan with respect to the QDRO (including costs associated with review and determination of the order as a valid QDRO) shall be chargeable to the individual Participant's Account. Unless and until the order is set aside, the following provisions shall apply:

- (a) The Plan Administrator shall establish reasonable procedures to determine whether an order received by it or the Trustee is a QDRO and to administer distributions pursuant to said order. The procedures shall set forth all rules to be applied by the Plan for notice to affected parties, suspension of Account activity, including distributions, investment direction and participant loans, and payment of benefits based upon the QDRO or the failure of the Domestic Relations Order to be a QDRO.
- (b) The Plan Administrator shall within a reasonable time determine whether the order is a QDRO and shall notify the Participant, Former Participant or Beneficiary whose benefit is the subject of the order, of its determination. The Plan Administrator may designate a representative to carry out its duties under this Section 20.10.
- (c) Nothing in this Section 20.10 shall be deemed to allow payment under a QDRO to an Alternate Payee of any benefit prior to the first day of the month following the date the Participant or Former Participant whose benefits are subject to the QDRO terminates employment or attains age 50, unless (i) earlier distribution is specifically provided under the terms of the QDRO and (ii) if the value of the Alternate Payee's benefit exceeds $5,000, the Alternate Payee consents to any distribution occurring prior to the Participant's attainment of earliest retirement age.

20.11 QDRO Definitions: For purposes of Section 20.10 the following definitions and rules shall apply:

- (a) **"Alternate Payee"** shall mean any spouse, former spouse, child or other dependent of a Participant or Former Participant who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to the Participant or Former Participant.
- (b) **"Domestic Relations Order"** shall mean any judgment, decree, or order (including approval of a properly settlement agreement) that:
  - (1) relates to the provision of child support, alimony payments, or marital property rights to a spouse, child, or other dependent of a Participant or Former Participant and
  - (2) is made pursuant to a state domestic relations law (including a community property law).
- (1) **"Qualified Domestic Relations Order"** shall mean any Domestic Relations Order that satisfies the criteria set forth in the QDRO procedures established by the Plan Administrator.

ARTICLE XXI
MULTIPLE EMPLOYER PROVISIONS

21.1 Adoption by Other Zions Employers: With the consent of the Sponsoring Employer and by a properly executed document evidencing the intent and will of the adopting Zions Employer, any other Zions Employer may adopt this Plan and all of the provisions hereof and participate herein and be known as a Participating Employer.

21.2 Requirements of Participating Zions Employers:

(a) Each Participating Zions Employer shall be required to use the Trustee determined by the Plan Sponsor or Plan Administrator.

(b) The Trustee may, but shall not be required to, commingle, hold and invest as one Trust Fund all contributions made by Participating Zions Employers, as well as all increments thereof. The assets of the Plan shall, on an ongoing basis, be available to pay benefits to all Participants and Beneficiaries under the Plan without regard to the Participating Zions Employer who contributed such assets.

(c) The transfer of any Participant from or to Zions Employer participating in this Plan, whether he is an Employee of the Sponsoring Employer or a Participating Zions Employer, shall not affect the Participant's rights under the Plan, and the Participant's Accounts, as well as all accumulated service with the transferor or predecessor, shall continue to his credit.

(d) Any expenses of the Trust and Plan that are to be paid by the Employer or borne by the Trust Fund, including funding of benefits, shall be paid by each Participating Zions Employer in the same proportion that the total amount of the Accounts standing to the credit of all Participants employed by such Zions Employer bears to the total of the Accounts standing to the credit of all Participants.

21.3 Designation of Agent: Each Participating Zions Employer shall be deemed to be a part of this Plan. With respect to all of its relations with the Trustee and Plan Administrator for the purpose of this Plan, each Participating Zions Employer shall be deemed to have designated irrevocably the Sponsoring Employer as its agent. Unless the context of the Plan clearly indicates the contrary, the word "Employer" shall be deemed to include each Participating Zions Employer as related to its adoption of the Plan.

21.4 Employee Transfers: It is anticipated that an Employee may be transferred between Participating Zions Employers, and in the event of any transfer, the Employee involved shall carry with him all of his accumulated service and eligibility. No transfer shall effect a termination of employment hereunder, and the Participating Zions Employer to which the Employee is transferred shall thereupon become obligated hereunder with respect to such Employee in the same manner as was the Participating Zions Employer from whom the Employee was transferred.

21.5 Amendment: The Sponsoring Employer may amend this Plan at any time without regard to whether there are Participating Zions Employers hereunder. No written action of a Participating Zions Employer shall be required to validate an amendment.

21.6 Discontinuance of Participation: A Participating Zions Employer shall be permitted to discontinue or revoke its participation in the Plan. At the time of any discontinuance or revocation, satisfactory evidence thereof and of any applicable conditions imposed shall be delivered to the Trustee. If so directed by the Plan Administrator, the Trustee shall transfer, deliver and assign Contracts and other Fund assets allocable to the Participants of such Participating Zions Employer to the new Trustee as shall have been designated by the Participating Zions Employer, in the event that it has established a separate pension plan for its Employees. No such transfer shall be made if the result is the elimination or reduction of any Code §411(d)(6) protected benefits. If no successor is designated, the Trustee shall retain the assets for the Employees of the Participating Zions Employer pursuant to the provisions of the Plan. In no event shall any part of the corpus or income of the Trust as it relates to the Participating Zions Employer be used for or diverted for purposes other than for the exclusive benefit of the Employees of the Participating Zions Employer.

21.7 Administrator's Authority: The Plan Administrator shall have authority to make any and all necessary rules or regulations, binding upon all Participating Zions Employers and all Participants, to effectuate the purposes of this Article.

21.8 Participating Employer Contributions: All contributions made by a Participating Zions Employer, as provided for in this Plan, shall be determined separately for each Participating Zions Employer, and shall be allocated only among Participants eligible to share who are Employees of the Participating Zions Employer making the contribution. The Administrator shall keep separate books and records concerning the affairs of each Participating Zions Employer hereunder and as to the accounts and credits of the Employees of each Participating Zions Employer. The Trustee may, but need not, register Contracts so as to evidence that a particular Participating Zions Employer is the interested Employer hereunder. In the event of an Employee transfer from one Participating Zions Employer to another, the employing Employer shall immediately notify the Administrator.

ARTICLE XXII
PURCHASE OF EMPLOYER SECURITIES

22.1 No Put option: The Plan may not obligate itself to acquire Employer Securities from a particular holder thereof at any indefinite time determined upon the happening of an event such as the death of the holder. So long as all Employer Securities held by the Plan are tradable on an established market, the Plan may not obligate itself to acquire Employer Securities under a put option binding upon the Plan.

22.2 Purchase Price For Employer Securities: All purchases of Employer Securities shall be made at a price that, in the judgment of the Plan Administrator, does not exceed the fair market value thereof. All sales of Employer Securities shall be made at a price that, in the judgment of the Plan Administrator, is not less than the fair market value thereof.

ARTICLE XXIII
MISCELLANEOUS

23.1 Participant's Rights: This plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect that such discharge shall have upon him as a Participant of this Plan.

23.2 Actions Consistent with Terms of Plan: All actions taken by the Employer. Plan Administrator or Trustee with respect to Trust assets shall be in accordance with the terms of the Plan and Trust.

23.3 Performance of Duties: All parties to this Plan and Trust, or those claiming any interest hereunder, agree to perform any and all acts and execute any and all documents and papers that are necessary or desirable for carrying out this Plan and Trust or any of its provisions.

23.4 Validity of Plan: This Plan shall be construed in a way that is consistent with ERISA and regulations thereunder, the Internal Revenue Code and regulations thereunder, and, to the extent state law has not been preempted by federal law, the laws of the state in which the Plan Sponsor has its principal office. In case any provision of this Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan; but the Plan shall be construed and enforced as if such provision had never been included therein.

23.5 Legal Action: In the event any claim, suit, or proceeding is brought regarding the Trust and/or Plan established hereunder to which the Trustee or the Plan Administrator may be a party, and such claim, suit, or proceeding is resolved in favor of the Trustee or Plan Administrator, they shall be entitled to be reimbursed from the Trust Fund for any and all costs, attorney's fees, and other expenses pertaining thereto incurred by them for which they shall have become liable.

23.6 Gender and Number: Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

23.7 Uniformity: All provisions of this Plan shall be interpreted and applied in a uniform, nondiscriminatory manner.

23.8 Headings: The headings and subheadings of this Agreement have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.

23.9 Receipt and Release for Payments: Any payment to any Participant, his legal representative, Beneficiary, or to any guardian or committee appointed for such Participant or Beneficiary in accordance with the provisions of the Plan, shall, to the extent thereof, be in full satisfaction of all
claims against the Trustee and the Employer, either of whom may require such Participant, legal representative, Beneficiary, guardian or committee, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by the Trustee or Employer.

23.10 Payments to Minors, Incompetents: In the event the Plan Administrator must direct a payment from the Plan to or for the benefit of any minor or incompetent Participant or Beneficiary, the Plan Administrator, in its sole and absolute discretion may, but need not, order the Trustee to make distribution to any of the

following: a legal or natural guardian of the minor or other relative or adult with whom the minor temporarily or permanently resides, a court-appointed conservator of any incompetent, a relative or adult with whom the incompetent temporarily or permanently resides, a residential care facility, rest home, sanitarium or similar entity with which the incompetent temporarily or permanently resides, a person or entity that has applied for and been designated by the United Stales Government as the recipient or custodian for Social Security benefits for the minor or incompetent. The Plan Administrator may also make payment as directed by the attorney-in-fact of an incompetent Participant when such direction is pursuant to an unrevoked and valid durable power of attorney. Any guardian, conservator, relative, attorney-in-fact, other person or entity shall have full authority and discretion to expend the distribution for the use and benefit of the minor or incompetent. The receipt of the distribution by the guardian, conservator, relative, attorney-in-fact, other person or entity shall be a complete discharge to the Plan, Plan Administrator and Trustee, without any responsibility on the part of the Trustee or the Plan Administrator to see to the application thereof. A Participant shall be deemed incompetent if he or she is incapable of properly using, expending, investing, or otherwise disposing of the distribution, and a court order or the written opinion of a qualified physician, psychiatrist or psychologist setting forth facts consistent with the standards outlined in this Section is presented to the Plan Administrator.

23.11 Missing Persons: Notwithstanding any provision in this Plan and Trust to the contrary, if the Plan Administrator is unable to locate any Inactive Participant who has incurred a Termination of Employment and is entitled to benefits under this Plan within three (3) years of the date he becomes entitled to a distribution from the Trust Fund, any amounts being held for his behalf shall be forfeited as of the last day of the Plan Year that contains the third anniversary of the date of his distribution entitlement. The forfeited amounts shall be applied as provided in Section 11.7(b). The Plan Administrator shall proceed with due diligence in attempting to locale any Former Participant. In the Plan Administrator's sole discretion, due diligence may include any or all of the following actions:

(a) inquiry of any Beneficiary or Alternate Payee of the Inactive Participant whose names and addresses are known to the Plan Administrator;
(b) use of the Internal Revenue Service letter forwarding program under Rev. Rul. 94-22;
(c) use of a commercial locator service; or
(d) use of the Social Security Administration search program.

In no event shall a forfeiture occur until the Plan Administrator has mailed the Inactive Participant a notice of the benefits and the provisions of this section to his last known address, via U.S. Mail postage prepaid, return receipt requested.

If the Inactive Participant is located subsequent to such forfeiture, the forfeited amount shall be reinstated and the Inactive Participant shall receive a distribution of his Vested Interest in accordance with the provisions of the Plan.

23.12 Prohibition Against Diversion of Funds: It shall be impossible by operation of the Plan or of the Trust, by termination of either, by power of revocation or amendment, by the happening of any contingency, by collateral arrangement or by any other means, for any part of the corpus or income of any trust fund maintained pursuant to the Plait or any funds contributed thereto to be used for, or diverted to, purposes other than the exclusive benefit of Participants, Former Participants or their Beneficiaries, except as provided in Sections 17.4 and 23.17.

23.13 Applicability of Plan: The provisions of this Plan shall apply only to persons who are or who become Participants in this Plan on or after the Effective Date or with respect to Plan provisions with alternate effective dates, such alternate dates. Except as specifically provided in this Plan, the provisions of the Prior Plan will continue to apply to persons who are Former Participants or who are not employed by a Zions Employer on the Effective Date or as applicable, alternate effective dates, unless and until such time as such persons may again become Participants in this Plan.

23.14 Misstatement of Age: If a Participant or Beneficiary misstates or misrepresents his age, date of birth or any other material information to the Employer, Plan Administrator or Trustee, the amount, terms and conditions of any benefits payable from the Plan that are attributable to periods prior to the discovery of such misstatement or misrepresentation shall be limited to the lesser (or more restrictive) of: the amount, terms and conditions determined based on the misstated information; or the amount, terms and conditions determined based on the correct information. The Plan Administrator shall have sole and absolute authority for applying the preceding sentence.

23.15 Return of Contributions to the Employer: Notwithstanding any provision of this Plan to the contrary, if any contribution (or portion thereof) by the Employer to the Trust is made as a result of a mistake of fact, or if any contribution (or part thereof) by the Employer to the Trust Fund that is conditioned upon the deductibility of the contribution by the Employer under the Code is disallowed, whether by agreement within the Internal Revenue Service or by final decision of a court of competent jurisdiction, the Employer may demand repayment of the mistaken or disallowed amount. The Trustee shall return the mistaken or disallowed contribution within one year following the time the mistaken contribution was made or the disallowed contribution was disallowed. Investment earnings attributable to the mistaken or disallowed amount shall not be returned, but any investment losses attributable thereto shall reduce the amount so returned.

23.16 Correction of Incorrect Benefit Payments: In the event of a misstatement, computational error or other error in Plan records or administration, including a failure by the Plan to value correctly a Participant's Account or any assets therein (including any Employer Securities) or to calculate or determine correctly costs or expenses attributable to a Participant's Account, or in the event costs or expenses attributable to a Participant's Account or assets therein are not incurred by the Plan prior to the dale distribution of the Participant's Account occurs, and as a result a Participant or Beneficiary is underpaid or overpaid, the Plan shall not be liable to the Participant or Beneficiary for any more than the correct benefit amount under the Plan.

Underpayment amounts may be corrected by the Plan by adding to future payments or by making a single one-time lump sum payment. Overpayment amounts may be deducted by the Plan from any future payments due from the Plan to the Participant or Beneficiary. In lieu of receiving reduced future payments a Participant or Beneficiary may make a lump sum payment to the Plan of any overpayment. In the event no future payments are owing or will be made, the Plan may require a lump sum repayment from the Participant or Beneficiary of the overpayment amount. Each Participant and Beneficiary in the Plan shall receive any distribution from the Plan, regardless of when paid, subject to the right of the Plan to obtain recovery of overpaid amounts as provided herein. The right of the Plan to establish the propriety of distributions from the Plan and/or obtain recovery shall be an equitable remedy and shall extend to all amounts distributed from the Plan, without regard to when the distribution occurs or may have previously occurred.

23.17 Counterparts: This Plan and Trust may be executed in any number of counterparts, each of which shall be deemed to be an original, and the counterparts shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Plan Sponsor has caused this Plan to be executed by its duly authorized representative and the Plan Administrator has accepted the Plan this 24th day of December, 2010.

PLAN SPONSOR:		**PLAN ADMINISTRATOR:**	
Zions Bancorporation		**Zions Bancorporation**	
By:	/s/ Diana M. Andersen	By:	/s/ Diana M. Andersen
Name:	Diana M. Andersen	Name:	Diana M. Andersen
Title:	SVP & Dir. of Corp. Benefits	Title:	SVP & Dir. of Corp. Benefits

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Section 6: EX-10.31 (SEVENTH AMENDMENT TO PAYSHELTER 401(K) PLAN)

EXHIBIT 10.31

SEVENTH AMENDMENT TO TRUST AGREEMENT BETWEEN FIDELITY MANAGEMENT TRUST COMPANY
AND
ZIONS BANCORPORATION

THIS SEVENTH AMENDMENT, dated and effective as of the first day of January, 2016, by and between Fidelity Management Trust Company (the "Trustee") and Zions Bancorporation (the "Sponsor");

WITNESSETH:

WHEREAS, the Trustee and the Sponsor heretofore entered into a Trust Agreement dated July 3, 2006, with regard to the Zions Bancorporation Payshelter 40l(k) and Employee Stock Ownership Plan (the "Plan"); and

WHEREAS, the Trustee and the Sponsor now desire to amend said Trust Agreement as provided for in Section 13 thereof;

NOW THEREFORE, in consideration of the above premises, the Trustee and the Sponsor hereby amend the Trust Agreement by:

(1) Amending Section G, Other, of Schedule "A", Administrative Services, to add Item 7, as follows:

7. Annual Profit Sharing Calculation: Provide quarterly accrual and projected year end calculations for the Plan pursuant to the Consulting Service Agreement between Zions Bancorporation and Benefits Consulting of Fidelity Workplace Investing LLC, dated November 6, 2011.

(2) Amending Schedule "B", Fee Schedule, to add the following fee item:

Consulting Services

Annual Profit Sharing Calculation Fee	WAIVED

(3) Amending Schedule "B", Fee Schedule, to restate the "Core Fees" section, in its entirety, as follows:

Core Fees	Annual Administration
This annual fee is prorated and billed quarterly. The annual fee applies to any record with a balance greater than zero ($0) in the plan at the end of the quarter.	$55 per participant

(4) Amending Schedule "B", Fee Schedule, to add the following: SERVICE CREDITS

A.**Service Credit Terms.**

Trustee shall make available an annual Service Credit of $25,000 on a calendar year basis to offset the cost of Trustee-provided services only ("Service Credit").

A. The applicable amount shall be credited as a Service Credit annually, on a book entry basis, to a non-interest bearing hypothetical account in respect of the Plan (the "Service Credit Account") maintained by Trustee. This amount may only be used to offset the cost of Trustee-provided Services as described in paragraph "B" below. Any unused Service Credit shall expire at the end of the twelve-month period from the quarter in which it was credited.

B. Subject to the provisions of this "Service Credit" section, the Service Credit Account shall be debited and such Service Credits used, as follows:

(i) Trustee-Provided Services. Trustee shall debit the Plan's Service Credit Account, and use such Service Credits to offset the cost of services provided by the Trustee or its affiliates ("Trustee") to the Plan after January 1, 2016, on a calendar year basis that would otherwise be payable pursuant to this Agreement or for additional Plan services provided by Trustee that the Sponsor may from time to time choose to utilize.

(ii) A Service Credit cannot be used to offset, reimburse or pay: (1) expenses that are deducted from participants' accounts; (2) expenses that are accrued in the net asset value or mil rate of an investment option; or (3) investment management services. Trustee reserves the right to modify the expense for which Service Credits could be used to offset.

(iii)No Payments. Nothing in this paragraph shall obligate Trustee to make payments to any entity under the terms hereof.

C. The Service Credit Account established for the Plan hereunder shall not be transferable under any circumstances, and shall be extinguished upon termination of recordkeeping services by the Trustee or its affiliates to the Plan, regardless of whether such Service Credit Account has a hypothetical balance at such time. The book entry value of such account shall not be payable in cash to any Plan, the Sponsor, the Named Fiduciary or any other entity.

D. Unless otherwise notified by the Sponsor, Trustee shall automatically apply Service Credits, to the extent available, to defray the costs of Trustee-provided services at the time the costs would be invoiced. The Sponsor shall be solely responsible for the determination of whether it is permissible under ERISA for Service Credits to be applied to a given Trustee-provided Plan service and shall notify Trustee if Service Credits should not be used to offset the costs of said service. Any charges for Trustee-provided services not offset by Service Credits shall be due and payable by Sponsor pursuant to ordinary invoice terms and the terms of this Agreement.

E. Trustee shall maintain the Service Credit Account balance and report any such balance back to the Sponsor upon request.

IN WTINESS WHEREOF, the Trustee and the Sponsor have caused this Seventh Amendment to be executed by their duly authorized officers effective as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this document on behalf of the respective parties. Notwithstanding any contradictory provision of the agreement that this document amends, each party may rely without duty of inquiry on the foregoing representation.

ZIONS BANCORPORATION FIDELITY MANAGEMENT TRUST COMPANY

By: /s/ Diana M Andersen 4/12/16 By: /s/ Bob Salerno 4/27/16
Authorized Signatory Date FMTC Authorized Signatory Date

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Section 7: EX-12 (RATIO OF EARNINGS TO FIXED CHARGES)

EXHIBIT 12

RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

The following table sets forth certain information regarding our consolidated ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends. Fixed charges represent interest expense, a portion of rent expense representative of interest, trust-preferred securities related expense and amortization of debt issuance costs.

(Dollar amounts in thousands)	Year ended December 31,				
	2016	2015	2014	2013	2012
Fixed charges:					
Interest expense excluding deposits	$ 35,954	$ 68,651	$ 123,175	$ 185,391	$ 225,482
Portion of rents representative of an interest factor	21,606	20,836	19,732	19,468	19,568
Fixed charges excluding interest on deposits	57,560	89,487	142,907	204,859	245,050
Interest on deposits	51,012	49,560	49,823	59,686	81,300
Fixed charges including interest on deposits	$ 108,572	$ 139,047	$ 192,730	$ 264,545	$ 326,350
Fixed charges and preferred stock dividends:					
Interest expense excluding deposits	$ 35,954	$ 68,651	$ 123,175	$ 185,391	$ 225,482
Portion of rents representative of an interest factor	21,606	20,836	19,732	19,468	19,568
Preferred stock dividend requirement	77,390	91,778	112,123	147,281	265,450
Fixed charges and preferred stock dividends excluding interest on deposits	134,950	181,265	255,030	352,140	510,500
Interest on deposits	51,012	49,560	49,823	59,686	81,300
Fixed charges and preferred stock dividends including interest on deposits	$ 185,962	$ 230,825	$ 304,853	$ 411,826	$ 591,800
Earnings:					
Income from continuing operations before income taxes	$ 704,908	$ 451,859	$ 621,423	$ 406,432	$ 541,566
Equity in undistributed earnings of unconsolidated subsidiaries	(5,657)	(4,757)	(7,996)	(11,066)	(13,983)
Fixed charges excluding interest on deposits	57,560	89,487	142,907	204,859	245,050
Earnings excluding interest on deposits	756,811	536,589	756,334	600,225	772,633
Interest on deposits	51,012	49,560	49,823	59,686	81,300
Earnings including interest on deposits	$ 807,823	$ 586,149	$ 806,157	$ 659,911	$ 853,933
Ratio of earnings to fixed charges:					
Excluding interest on deposits	13.15	6.00	5.29	2.93	3.15
Including interest on deposits	7.44	4.22	4.18	2.49	2.62
Ratio of earnings to fixed charges and preferred stock dividends:					
Excluding interest on deposits	5.61	2.96	2.97	1.70	1.51
Including interest on deposits	4.34	2.54	2.64	1.60	1.44

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Section 8: EX-21 (LIST OF SUBSIDIARIES)

EXHIBIT 21

LIST OF SUBSIDIARIES
ZIONS BANCORPORATION
AT DECEMBER 31, 2016

SUBSIDIARY	STATE OR JURISDICTION OF INCORPORATION/ORGANIZATION
ZB, National Association	Federally chartered doing business in Utah, Idaho, Wyoming, Texas, California, Arizona, Nevada, Colorado, New Mexico, Washington, and Oregon
Amegy Holding Texas, Incorporated	Texas
Great Western Financial Corporation	Utah

Welman Holdings, Inc.	Utah

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Section 9: EX-23 (CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(i) Registration Statement (Form S-8 No. 333-36205) and related Prospectus pertaining to Zions Bancorporation Employee Investment Savings Plan, now known as the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan;
(ii) Registration Statement (Form S-8 No. 333-205422) and related Prospectus pertaining to Zions Bancorporation 2015 Omnibus Incentive Plan;
(iii) Registration Statement (Form S-8 No. 333-130222) and related Prospectus pertaining to Amegy Bancorporation 1989 Stock Option Plan, Amegy Bancorporation 1993 Stock Option and Incentive Plan, and Amegy Bancorporation Amended and Restated Non-Employee Directors Deferred Fee Plan; and
(iv) Registration Statement (Form S-3 No. 333-195408) and related Prospectus pertaining to the offering of debt and equity securities of Zions Bancorporation;

of our reports dated February 27, 2017, with respect to the consolidated financial statements of Zions Bancorporation and subsidiaries and the effectiveness of internal control over financial reporting of Zions Bancorporation and subsidiaries included in this Annual Report (Form 10-K) of Zions Bancorporation and subsidiaries for the year ended December 31, 2016.

/s/ ERNST & YOUNG LLP

Salt Lake City, Utah
February 27, 2017

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Section 10: EX-31.1 (CERTIFICATION BY CEO)

EXHIBIT 31.1

CERTIFICATION
Principal Executive Officer

I, Harris H. Simmons, certify that:

1. I have reviewed this annual report on Form 10-K of Zions Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 27, 2017

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

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Section 11: EX-31.2 (CERTIFICATION BY CFO)

EXHIBIT 31.2

CERTIFICATION
Principal Financial Officer

I, Paul E. Burdiss, certify that:

1. I have reviewed this annual report on Form 10-K of Zions Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017

/s/ Paul E. Burdiss
Paul E. Burdiss, Executive Vice President and
Chief Financial Officer

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Section 12: EX-32 (CERTIFICATION BY CEO AND CFO)

EXHIBIT 32

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officers of Zions Bancorporation (the "Company") hereby certify that, to the best of their knowledge, the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2017

/s/ Harris H. Simmons
Name: Harris H. Simmons
Title: Chairman and Chief Executive Officer

/s/ Paul E. Burdiss
Name: Paul E. Burdiss
Title: Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure

document.

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ZIONS BANCORPORATION

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