

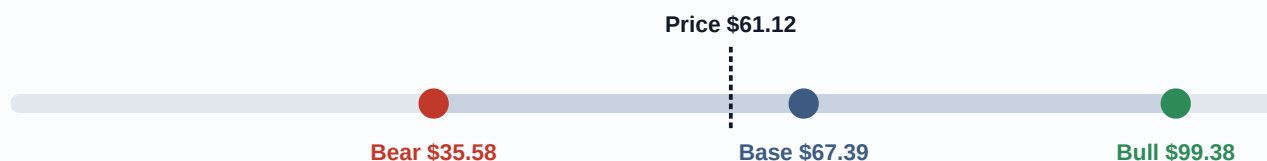
Initiated 2026-10-14 · Price \$61.12 (intraday 2026-10-14 10:12 ET, stockanalysis.com) · Mkt cap \$8.92bn · Financials / regional bank · Model: verified

Rating: Hold — Conviction: Low

Zions has rebuilt from the 2023 deposit scare: tangible book per share is up 58% since end-2023 (\$28.30 → \$44.74), CET1 is 11.8%, NIM has held near 3.27% and credit losses are running at single-digit basis points. But at ~1.4x tangible book and ~9.5x forward earnings, the market already prices a steady 3.3–3.4% margin and normal credit. Our base case is only modestly above the price, and the bear case is deep because 22% of loans are CRE and TCE/assets is still a thin 7.4%. Hold.

Conviction tests (3a-v-c): T1 fail (Hold → Buy at -1pp: Base +28.2%; -3.4% at +1pp) · T2 pass · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Zions is an \$89bn-asset commercial bank in the Western and Southwestern US, operating through regional affiliate brands. Loans are \$62.5bn: about \$32bn commercial, \$14.1bn CRE (22%) and \$15.8bn consumer, mainly residential mortgage (Q2 2026 averages). Revenue is roughly three-quarters net interest income (\$677mm in Q2 2026) and one-quarter fees. Customer-related fees were \$182mm, up 11% year on year. In August it closed the purchase of Basis Investment Group's Fannie Mae/Freddie Mac multifamily lending business. Three variables drive earnings. First, NIM: 3.27% in Q2 on an asset-sensitive balance sheet (the company estimates about +4% NII per +100bp), with deposit costs at 1.48% and a 53% cumulative interest-bearing beta. Second, loan growth as securities run off into C&I and owner-occupied loans. Third, credit costs, especially CRE.

Competition

Zions competes for Western commercial and small-business relationships with the national banks (JPMorgan, Wells Fargo, Bank of America) and with Western Alliance, East West, Cullen/Frost in Texas and First Horizon in the Sun Belt. Western Alliance, its closest comparable by footprint and size, grew held-for-investment loans \$1.8bn in Q2 2026, more than 80% of it C&I, at a 3.53% NIM (Q2 2026 release). That outpaces Zions' 4.7% annualized average loan growth. Pressure would show up first in deposit pricing: Zions' cost of deposits is already 1.48%, and Western Alliance is deliberately shrinking higher-cost deposits. On valuation, Western Alliance trades at 1.15x tangible book and 7.3x forward earnings, the low end of the peer set, and Cullen/Frost at 2.10x and 13.1x, the high end (stockanalysis, 2026-10-14).

Bull case

1. **Asset sensitivity pays.** If the forward curve's hike(s) arrive, NII rises roughly 4% per +100bp, and the remix from securities into loans lifts NIM to ~3.6% by 2028. Operating leverage pushes efficiency to ~58%. Plays out if deposit betas stay near the current 53% and the 10Y holds above 5%. *Model: nim, efficiency_ratio*
2. **Commercial growth and fee momentum.** C&I and owner-occupied lending across the Western footprint sustains ~5% earning-asset growth, and capital markets plus the new Basis agency platform lift fees toward 1.08% of earning assets. Plays out if management's "moderately increasing" outlook proves conservative. *Model: ea_growth, fee_pct_ea*

Bear case

1. **Margin give-back.** Deposit competition and a turn to rate cuts push NIM back toward ~3.0%, the FY2024 level, while technology and marketing spend keep efficiency at ~64%. Plays out if Q3/Q4 deposit costs rise or the Fed pivots to cuts. *Model: nim, efficiency_ratio*
2. **Growth stalls.** Higher-for-longer rates cut loan demand to zero, and capital-markets fees and SBIC marks retreat. Plays out if commercial line utilization falls and deal activity freezes. *Model: ea_growth, fee_pct_ea*
3. **CRE and commercial credit turn.** The \$14.1bn CRE book refinances into 5%+ rates and NCOs peak near 90bp, from ~4bp in H1 2026. The allowance (1.13% of loans, down from 1.20%) rebuilds by 35bp. Plays out if the slow default cycle (S7b) arrives. *Model: nco_rate, reserve_build*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/TBV (price ÷ period-end TBV/share)	1.37x on \$44.74 (stockanalysis 1.39x)	TBV/share \$28.30 FY23 · \$33.85 FY24 · \$40.79 FY25; P/TBV history n/a (unverified)	WAL 1.15x · FHN 1.54x · EWBC 1.95x · CFR 2.10x (stockanalysis basis)	er2q26 6/30/26; stockanalysis 2026-10-14
Forward P/E (stockanalysis consensus)	9.53x	n/a (unverified)	WAL 7.27x · FHN 10.27x · EWBC 11.11x · CFR 13.14x	stockanalysis 2026-10-14
ROTCE (company, annualized)	16.6% ex-gains (28.6% reported, Q2 2026)	15.5% Q1 2026; FY history n/a (unverified)	n/a (unverified)	er2q26; pres2q26
NIM (reported)	3.27% (Q2 2026)	3.00% FY24 · 3.21% FY25	WAL 3.53% (Q2 2026)	er2q26; er4q25

Zions trades at a ~22% P/TBV discount to the 1.75x peer median and slightly below the 10.7x forward P/E median. The discount tracks its thinner capital (TCE/assets 7.4%) and CRE weight more than cheap earnings. Trailing P/E (7.9x) is flattered by the Q2 Visa gain.

Model-implied value range (from `model-summary.json` ; bank, residual income and justified P/TBV, midpoints): Bear \$35.58 · Base \$67.39 · Bull \$99.38 per share, i.e. implied returns of -41.8% / +10.3% / +62.6% vs \$61.12. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits a little below Base and closer to Base than to either tail, so the market credits most of the steady-margin, normal-credit path and pays nothing extra for asset sensitivity. Re-rating: on the model's own basis, today's multiple is 1.48x FY2025 TBV/share (\$41.19). Base justified P/TBV (\$68.80) embeds ~1.67x, a ~13% re-rating, and residual income (\$65.97, ~1.60x) embeds ~8%. The methods agree within 5%, but both credit a re-rating as ROTCE holds near 16%. No tail sensitivity was run: no single product exceeds half of revenue, and Bear is a break, not a plateau.

Balance sheet: net leverage not meaningful (deposit-funded bank). CET1 11.8% (Q2 2026, estimated), TCE/tangible assets 7.4%, AOCI – \$1.87bn. The company projects \$499mm of AOCI accretion from 4Q25 to 4Q27, which the model does not include. Deposits are \$76.6bn (\$72.7bn customer). Long-term debt was \$1.96bn at 6/30, before \$500mm of senior notes priced 7/28/26; the maturity ladder was not retrieved, so the model's single 2030 bucket is a placeholder. Model TCE/earning assets is 7.8% in Y1, and PPNR/provision coverage is 7.4x in Y2 (Y1's 25.5x reflects near-zero H1 charge-offs). ACL 1.13% of loans. Ratings: n/a (unverified).

Model note: Verified (LibreOffice recalculated all 3,394 formula cells and they match). Unverified inputs: none. Assumptions without basis: none. Scenario consistency checks: all OK. Conventions: NIM is the reported margin on TE NII; the TE adjustment and preferred dividends

are folded into a 23.5% all-in `tax_rate` . Y1 fee rate includes the \$252mm of Q2 notable gains (Visa B-1, SBIC) because that capital is already in TCE. Base Y1 EPS of \$8.12 therefore sits on GAAP, and Y2 (\$6.67) is the clean run-rate, below Q2's \$1.74 ex-items quarterly pace because NCOs normalize to 25–30bp. The company gives no EPS guidance. AOCI is not modeled, so rate-shock rows understate the capital channel. Cost of equity carries a stated +1pp funding-run premium over pure CAPM (9.36% on a 0.83 beta).

RELATIVE VALUE VS PEERS

Metric	ZION	WAL	FHN	EWBC	CFR	Peer median	vs median
P/E (TTM)	7.9x	8.3x	10.8x	11.8x	14.3x	11.3x	−30%
P/E (forward)	9.5x	7.3x	10.3x	11.1x	13.1x	10.7x	−11%
PEG	1.5x	0.7x	1.0x	1.4x	1.8x	1.2x	+27%
P/B	1.2x	1.1x	1.3x	1.9x	2.1x	1.6x	−24%
P/TBV	1.4x	1.1x	1.5x	1.9x	2.1x	1.7x	−20%
Dividend yield	3.1%	2.3%	3.0%	2.6%	2.7%	2.7%	+0.5pp

P/E (TTM)

Company	P/E (TTM)
CFR	14.3x
EWBC	11.8x
FHN	10.8x
WAL	8.3x
ZION	7.9x

P/E (forward)

Company	P/E (forward)
CFR	13.1x
EWBC	11.1x
FHN	10.3x
ZION	9.5x
WAL	7.3x

PEG

Company	PEG
CFR	1.8x
ZION	1.5x
EWBC	1.4x
FHN	1.0x
WAL	0.7x

P/B

Company	P/B
CFR	2.1x
EWBC	1.9x
FHN	1.3x
ZION	1.2x
WAL	1.1x

P/TBV

Company	P/TBV
CFR	2.1x
EWBC	1.9x
FHN	1.5x
ZION	1.4x
WAL	1.1x

Dividend yield

Company	Dividend yield
ZION	3.1%
FHN	3.0%
CFR	2.7%
EWBC	2.6%
WAL	2.3%

As of 2026-10-14. One source and one definition for every company: aggregator TTM and consensus-forward multiples; P/TBV on the source's tangible book. Not the model's own TBV basis (see the report's valuation table). Quotes taken with the market open, 2026-10-14 ~10:06-10:21 AM ET. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-14.

Notes. The source's PEG figures, based on its analyst growth estimates; not computed here. ZION's 7.9x trailing P/E is flattered by the Q2 2026 Visa B-1 sale gain (\$215mm pre-tax, \$1.12/share). Omitted: EV-based multiples are not meaningful for deposit-funded banks. Omitted: bank operating cash flow mixes loan-sale and trading flows, so FCF yield is not meaningful.

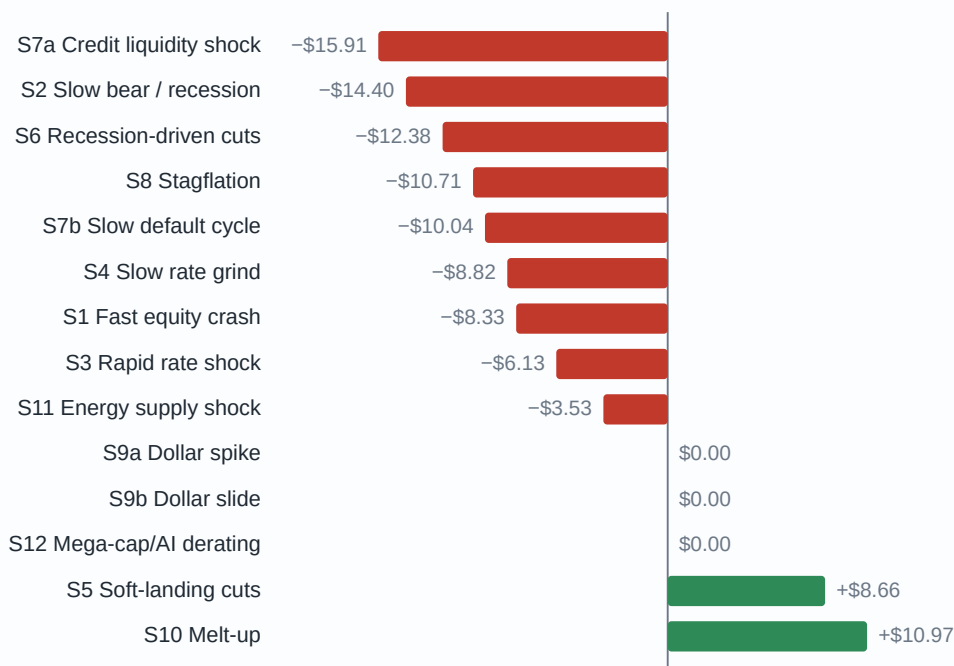
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Regional-bank multiple de-rates; no credit channel without recession	Med	–\$8.33
S2 Slow bear / recession	–	CRE and C&I losses, lower loan demand and fees, deleverage; asset-sensitive NIM falls with cuts. About 45% of Base–Bear because it's transitory, while Bear is permanent	High	–\$14.40
S3 Rapid rate shock	–	Asset-sensitive NII gains partly offset a higher CoE; AOCI widens and slows buybacks (not modeled)	Med	–\$6.13
S4 Slow rate grind	–	NIM up modestly, but loan demand slows and CRE refinancing strains	Med	–\$8.82
S5 Soft-landing cuts	+	Lower CoE and AOCI recovery outweigh a modest NIM give-back	Med	+\$8.66
S6 Recession-driven cuts	–	Labor-market break drives CRE and commercial losses; cuts compress an asset-sensitive NIM	High	–\$12.38
S7a Credit liquidity shock	–	2023-style funding scare, in which Zions was a direct target: deposit outflows, wholesale funding, de-rating	High	–\$15.91
S7b Slow default cycle	–	CRE and leveraged-loan defaults flow into charge-offs	Med	–\$10.04
S8 Stagflation	–	Higher CoE, borrower strain, cost inflation; NIM roughly neutral	High	–\$10.71
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Regional-bank risk premium compresses; capital-markets fees benefit	High	+\$10.97
S11 Energy supply shock	–	Rates spillover and modest credit strain; Texas energy lending a small offset	Low	–\$3.53
S12 Mega-cap/AI derating	0	no material effect, not modeled	Low	\$0.00

Currently active/on watch per the playbook: S3 active; S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: Q3/Q4 NIM holds at or above 3.30% with deposit costs flat, NCOs stay below 20bp, and the 2027 outlook keeps positive operating leverage, or the stock falls toward ~1.2x tangible book with that path intact. **Downgrades if:** NIM falls below 3.15% on deposit costs, NCOs move above ~40bp or classified loans (3.72%) rise materially, or buybacks stop.

Watch items

- **W1:** Q3 2026 NIM $\geq 3.25\%$ and cost of deposits $\leq 1.50\%$ — Q3 2026 earnings release — 2026-10-19 — *Model: nim*
- **W2:** NCOs ≤ 20 bp annualized and classified loans $\leq 3.7\%$ of loans in Q3 and Q4 2026 — Q3/Q4 2026 releases — 2026-10-19 / Jan 2027 — *Model: nco_rate*
- **W3:** 2026 operating leverage +100–115bp delivered and the 2027 outlook keeps it positive — Q4 2026 release — Jan 2027 — *Model: efficiency_ratio*
- **W4:** Period-end loans grow $\geq 4\%$ year on year with C&I leading — Q3/Q4 2026 releases — *Model: ea_growth*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.