



Makers & Breakers

Return to Zion

Matthew Craft 06.30.08, 12:00 AM ET

Bankers are not the most popular people in good times, and this is definitely not their heyday. From Wachovia to Citigroup, top executives have been axed lately as the industry suffers writedowns on bad paper. For those with cast-iron stomachs, and a memory of how banks have snapped back from past downturns, Zions Bancorporation (40, ZION) is worth a look. The Salt Lake City, Utah lender's shares have fallen 47% the past year. Investors fear it will suffer big losses on construction and development loans in southern California and Nevada.

Those concerns may be overblown, however. Unlike many of its peers, it stuck to commercial lending and didn't get tangled up in the subprime mess. The loan-to-value ratio of Zions' commercial real estate portfolio is low at 62%. At many rivals the figure is 80% and rising, thanks to the falling value of the collateral. Residential mortgages, credit cards and other consumer services make up only 18% of Zions' loan portfolio.

Even so, it trades at 10% below book value and has a trailing price-to-earnings ratio of 10, which is a big discount to the industry average of 16. With 70% of its earnings coming from the high-growth states of California, Texas and Utah, Zions' long-term prospects are bright. It is also paying a 4% dividend, and company insiders have been buying.

