

ZIONS BANCORPORATION /UT/  
Form 10-Q  
August 09, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2010

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**  
(State or other jurisdiction

of incorporation or organization)

**ONE SOUTH MAIN, 15<sup>TH</sup> FLOOR**

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

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

**87-0227400**  
(I.R.S. Employer

Identification No.)

**84133**  
(Zip Code)

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

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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 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

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

Common Stock, without par value, outstanding at July 31, 2010

173,340,649 shares

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**ZIONS BANCORPORATION AND SUBSIDIARIES**

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## ZIONS BANCORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	June 30, 2010 (Unaudited)	December 31, 2009	June 30, 2009 (Unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 1,068,755	\$ 1,370,189	\$ 1,229,205
Money market investments:			
Interest-bearing deposits	4,861,871	652,964	1,005,060
Federal funds sold	44,720	20,985	390,619
Security resell agreements	58,954	57,556	57,476
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value \$802,370, \$833,455 and \$891,186)	852,606	869,595	937,942
Available-for-sale, at fair value	3,416,448	3,655,619	3,903,895
Trading account, at fair value	85,707	23,543	78,608
	4,354,761	4,548,757	4,920,445
Loans held for sale	189,376	208,567	251,526
Loans:			
Loans and leases excluding FDIC-supported loans	36,920,355	38,882,083	40,654,802
FDIC-supported loans	1,208,362	1,444,594	783,238
	38,128,717	40,326,677	41,438,040
Less:			
Unearned income and fees, net of related costs	125,779	137,697	130,042
Allowance for loan losses	1,563,753	1,531,332	1,248,055
Loans and leases, net of allowance	36,439,185	38,657,648	40,059,943
Other noninterest-bearing investments	866,970	1,099,961	1,046,131
Premises and equipment, net	705,372	710,534	703,613
Goodwill	1,015,161	1,015,161	1,017,385
Core deposit and other intangibles	100,425	113,416	121,675
Other real estate owned	413,336	389,782	304,778
Other assets	2,028,409	2,277,487	1,660,098
	\$ 52,147,295	\$ 51,123,007	\$ 52,767,954

## LIABILITIES AND SHAREHOLDERS EQUITY

<b>Deposits:</b>			
Noninterest-bearing demand	\$ 14,071,456	\$ 12,324,247	\$ 11,142,017
Interest-bearing:			
Savings and NOW	6,030,986	5,843,573	4,949,711
Money market	15,562,664	16,378,874	17,276,743
Time under \$100,000	2,155,366	2,497,395	2,845,893
Time \$100,000 and over	2,509,479	3,117,472	4,455,225
Foreign	1,683,925	1,679,028	1,974,583

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	42,013,876	41,840,589	42,644,172
Securities sold, not yet purchased	81,511	43,404	51,109
Federal funds purchased	391,213	208,669	1,169,809
Security repurchase agreements	500,812	577,346	565,975
Federal Home Loan Bank advances and other borrowings:			
One year or less	218,589	121,273	48,171
Over one year	15,558	15,722	18,882
Long-term debt	1,918,852	2,017,220	1,917,598
Reserve for unfunded lending commitments	96,795	116,445	60,688
Other liabilities	488,987	472,082	536,855
<b>Total liabilities</b>	<b>45,726,193</b>	<b>45,412,750</b>	<b>47,013,259</b>
Shareholders' equity:			
Preferred stock, without par value, authorized 4,400,000 shares	1,806,877	1,502,784	1,491,730
Common stock, without par value; authorized 350,000,000 shares issued and outstanding 173,331,281, 150,425,070 and 125,095,328	3,964,140	3,318,417	2,935,724
Retained earnings	1,099,621	1,324,516	1,685,522
Accumulated other comprehensive income (loss)	(433,020)	(436,899)	(368,164)
Deferred compensation	(15,776)	(16,160)	(14,138)
Controlling interest shareholders' equity	6,421,842	5,692,658	5,730,674
Noncontrolling interests	(740)	17,599	24,021
<b>Total shareholders' equity</b>	<b>6,421,102</b>	<b>5,710,257</b>	<b>5,754,695</b>
	<b>\$ 52,147,295</b>	<b>\$ 51,123,007</b>	<b>\$ 52,767,954</b>

See accompanying notes to consolidated financial statements.

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## ZIONS BANCORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Interest income:</b>				
Interest and fees on loans	\$ 541,474	\$ 583,590	\$ 1,081,618	\$ 1,163,442
Interest on loans held for sale	1,937	3,082	4,300	5,838
Lease financing	4,251	4,735	9,380	9,328
Interest on money market investments	2,601	1,543	4,040	4,919
<b>Interest on securities:</b>				
Held-to-maturity taxable	6,113	9,367	8,569	28,275
Held-to-maturity nontaxable	5,187	5,796	10,624	12,061
Available-for-sale taxable	19,818	26,982	40,789	48,685
Available-for-sale nontaxable	1,700	1,778	3,421	3,456
Trading account	657	823	1,132	1,394
<b>Total interest income</b>	<b>583,738</b>	<b>637,696</b>	<b>1,163,873</b>	<b>1,277,398</b>
<b>Interest expense:</b>				
Interest on savings and money market deposits	34,124	64,949	70,513	139,502
Interest on time and foreign deposits	18,629	52,577	38,316	115,256
Interest on short-term borrowings	3,486	3,661	6,553	9,681
Interest on long-term borrowings	114,153	22,821	179,845	44,496
<b>Total interest expense</b>	<b>170,392</b>	<b>144,008</b>	<b>295,227</b>	<b>308,935</b>
<b>Net interest income</b>	<b>413,346</b>	<b>493,688</b>	<b>868,646</b>	<b>968,463</b>
Provision for loan losses	228,663	762,654	494,228	1,060,278
<b>Net interest income after provision for loan losses</b>	<b>184,683</b>	<b>(268,966)</b>	<b>374,418</b>	<b>(91,815)</b>
<b>Noninterest income:</b>				
Service charges and fees on deposit accounts	51,909	51,833	103,517	104,621
Other service charges, commissions and fees	43,395	40,291	82,437	78,518
Trust and wealth management income	7,021	8,750	14,630	15,915
Capital markets and foreign exchange	10,733	16,311	19,272	29,515
Dividends and other investment income	8,879	2,684	16,579	11,092
Loan sales and servicing income	5,617	7,040	12,049	12,891
Fair value and nonhedge derivative income (loss)	(1,552)	20,316	636	24,320
Equity securities gains (losses), net	(1,500)	(619)	(4,665)	2,144
Fixed income securities gains, net	530	1,444	1,786	1,639
<b>Impairment losses on investment securities:</b>				
Impairment losses on investment securities	(19,557)	(71,515)	(68,127)	(237,131)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	1,497	29,546	18,804	112,489
<b>Net impairment losses on investment securities</b>	<b>(18,060)</b>	<b>(41,969)</b>	<b>(49,323)</b>	<b>(124,642)</b>
Valuation losses on securities purchased		(11,701)		(212,092)

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Gain on subordinated debt modification		493,725		493,725
Gain on subordinated debt exchange			14,471	
Acquisition related gains		22,977		22,977
Other	2,441	1,654	5,634	6,851
<b>Total noninterest income</b>	<b>109,413</b>	<b>612,736</b>	<b>217,023</b>	<b>467,474</b>
Noninterest expense:				
Salaries and employee benefits	205,776	202,420	410,109	406,581
Occupancy, net	27,822	26,651	56,310	54,978
Furniture and equipment	25,703	24,870	50,699	49,869
Other real estate expense	42,444	23,748	75,092	42,091
Legal and professional services	8,887	9,497	18,863	18,040
Postage and supplies	7,598	8,036	15,244	16,446
Advertising	5,772	5,678	12,146	12,826
FDIC premiums	26,438	42,329	50,648	56,500
Amortization of core deposit and other intangibles	6,414	7,078	12,991	13,964
Provision for unfunded lending commitments	483	7,927	(19,650)	9,754
Other	73,018	61,235	137,029	114,625
<b>Total noninterest expense</b>	<b>430,355</b>	<b>419,469</b>	<b>819,481</b>	<b>795,674</b>
<b>Impairment loss on goodwill</b>				<b>633,992</b>
Income (loss) before income taxes	(136,259)	(75,699)	(228,040)	(1,054,007)
Income taxes (benefit)	(22,898)	(23,761)	(51,542)	(175,488)
Net income (loss)	(113,361)	(51,938)	(176,498)	(878,519)
Net income (loss) applicable to noncontrolling interests	(368)	(1,209)	(3,295)	(1,749)
Net income (loss) applicable to controlling interest	(112,993)	(50,729)	(173,203)	(876,770)
Preferred stock dividends	(25,342)	(25,447)	(51,653)	(51,733)
Preferred stock redemption	3,107	52,418	3,107	52,418
<b>Net earnings (loss) applicable to common shareholders</b>	<b>\$ (135,228)</b>	<b>\$ (23,758)</b>	<b>\$ (221,749)</b>	<b>\$ (876,085)</b>
Weighted average common shares outstanding during the period:				
Basic shares	161,810	115,908	156,471	115,012
Diluted shares	161,810	115,908	156,471	115,012
Net earnings (loss) per common share:				
Basic	\$ (0.84)	\$ (0.21)	\$ (1.42)	\$ (7.62)
Diluted	(0.84)	(0.21)	(1.42)	(7.62)

See accompanying notes to consolidated financial statements.

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## ZIONS BANCORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share amounts)	Preferred stock	Common stock Shares	Common stock Amount	Retained earnings	Accumulated other comprehensive income (loss)	Deferred compensation	Noncontrolling interests	Total shareholders equity
Balance, December 31, 2009	\$ 1,502,784	150,425,070	\$ 3,318,417	\$ 1,324,516	\$ (436,899)	\$ (16,160)	\$ 17,599	\$ 5,710,257
Comprehensive loss:								
Net loss for the period				(173,203)			(3,295)	(176,498)
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding gains on investments					4,880			
Reclassification for net losses on investments included in earnings					29,341			
Noncredit-related impairment losses on securities not expected to be sold					(11,612)			
Accretion of securities with noncredit-related impairment losses not expected to be sold					70			
Net unrealized losses on derivative instruments					(18,737)			
Pension and postretirement					(63)			
Other comprehensive income					3,879			3,879
Total comprehensive loss								(172,619)
Subordinated debt converted to preferred stock	160,270		(22,612)					137,658
Issuance of preferred stock	142,500		(3,830)					138,670
Preferred stock exchanged for common stock	(8,615)	224,903	5,508	3,107				
Issuance of common stock warrants			179,020					179,020
Subordinated debt exchanged for common stock		2,165,391	46,902					46,902
Issuance of common stock		20,037,657	432,900					432,900
Net stock issued under employee plans and related tax benefits		478,260	7,835					7,835
Dividends on preferred stock	9,938			(51,653)				(41,715)
Dividends on common stock, \$0.02 per share				(3,146)				(3,146)
Change in deferred compensation						384		384
Other changes in noncontrolling interests							(15,044)	(15,044)
Balance, June 30, 2010	\$ 1,806,877	173,331,281	\$ 3,964,140	\$ 1,099,621	\$ (433,020)	\$ (15,776)	\$ (740)	\$ 6,421,102
Balance, December 31, 2008	\$ 1,581,834	115,344,813	\$ 2,599,916	\$ 2,433,363	\$ (98,958)	\$ (14,459)	\$ 27,320	\$ 6,529,016
Cumulative effect of change in accounting principle, adoption of new OTTI guidance under ASC 320				137,462	(137,462)			
Comprehensive loss:								
Net loss for the period				(876,770)			(1,749)	(878,519)
Other comprehensive income (loss), net of tax:								



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Net realized and unrealized holding losses on investments and retained interests									(78,512)
Reclassification for net losses on investments included in earnings									63,296
Noncredit-related impairment losses on securities not expected to be sold									(67,783)
Accretion of securities with noncredit-related impairment losses not expected to be sold									931
Net unrealized losses on derivative instruments									(49,676)
Other comprehensive loss									(131,744)
									(131,744)
Total comprehensive loss									(1,010,263)
Preferred stock redemption	(100,511)		1,763	52,418					(46,330)
Issuance of common stock		9,177,658	123,741						123,741
Subordinated debt modification			201,154						201,154
Net stock issued under employee plans and related tax benefits		572,857	9,150						9,150
Dividends on preferred stock	10,407			(51,733)					(41,326)
Dividends on common stock, \$0.08 per share				(9,218)					(9,218)
Change in deferred compensation					321				321
Other changes in noncontrolling interests								(1,550)	(1,550)
Balance, June 30, 2009	\$ 1,491,730	125,095,328	\$ 2,935,724	\$ 1,685,522	\$ (368,164)	\$ (14,138)	\$ 24,021	\$ 5,754,695	

Total comprehensive income (loss) for the three months ended June 30, 2010 and 2009 was \$(118,240) and \$79,375, respectively.

*See accompanying notes to consolidated financial statements.*

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<b>(In thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net loss for the period	\$ (113,361)	\$ (51,938)	\$ (176,498)	\$ (878,519)
Adjustments to reconcile net loss to net cash provided by operating activities:				