

ZIONS BANCORPORATION /UT/
Form 10-Q
May 11, 2009

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 March 31, 2009

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)

87-0227400
(I.R.S. Employer
Identification No.)

ONE SOUTH MAIN, 15TH FLOOR

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

84133
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 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

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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 April 30, 2009

115,297,366 shares

ZIONS BANCORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATIONITEM 1. FINANCIAL STATEMENTS (Unaudited)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	March 31, 2009 (Unaudited)	December 31, 2008	March 31, 2008 (Unaudited)
ASSETS			
Cash and due from banks	\$ 1,321,972	\$ 1,475,976	\$ 1,660,539
Money market investments:			
Interest-bearing deposits and commercial paper	1,952,555	2,332,759	1,243,860
Federal funds sold	13,277	83,451	121,892
Security resell agreements	305,111	286,707	689,235
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value \$1,361,460, \$1,443,555 and \$704,156)	1,648,971	1,790,989	701,658
Available-for-sale, at fair value	3,086,788	2,676,255	4,259,742
Trading account, at fair value (includes \$0, \$538 and \$0 transferred as collateral under repurchase agreements)	65,198	42,064	40,807
	4,800,957	4,509,308	5,002,207
Loans held for sale	262,785	200,318	208,529
Loans:			
Loans and leases excluding FDIC-supported assets	41,220,610	41,791,237	39,855,365
FDIC-supported assets	836,454		
	42,057,064	41,791,237	39,855,365
Less:			
Unearned income and fees, net of related costs	124,749	132,499	158,139
Allowance for loan losses	832,878	686,999	501,283
Loans and leases, net of allowance	41,099,437	40,971,739	39,195,943
Other noninterest-bearing investments	1,051,956	1,044,092	1,114,902
Premises and equipment, net	701,742	687,096	657,183
Goodwill	1,034,465	1,651,377	2,009,517
Core deposit and other intangibles	124,585	125,935	140,672
Other real estate owned	226,634	191,792	36,476
Other assets	1,649,536	1,532,241	1,327,338
	\$ 54,545,012	\$ 55,092,791	\$ 53,408,293
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest-bearing demand	\$ 10,517,910	\$ 9,683,385	\$ 9,464,122
Interest-bearing:			
Savings and NOW	4,710,899	4,452,919	4,661,963
Money market	18,103,564	16,826,846	12,986,387
Time under \$100,000	3,112,864	2,974,566	2,564,434
Time \$100,000 and over	4,647,015	4,756,218	4,548,009
Foreign	2,214,981	2,622,562	3,291,422
	43,307,233	41,316,496	37,516,337
Securities sold, not yet purchased	39,892	35,657	184,522
Federal funds purchased	1,213,970	965,835	1,817,587
Security repurchase agreements	551,686	899,751	1,144,178

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Other liabilities	578,768	669,111	620,528
Commercial paper	984	15,451	164,657
Federal Home Loan Bank advances and other borrowings:			
One year or less	429,655	2,039,853	3,956,775
Over one year	127,680	128,253	127,006
Long-term debt	2,715,310	2,493,368	2,518,489
Total liabilities	48,965,178	48,563,775	48,050,079
Shareholders' equity:			
Preferred stock, without par value, authorized 3,000,000 shares	1,587,027	1,581,834	240,000
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 115,335,668, 115,344,813 and 107,139,188 shares	2,607,541	2,599,916	2,219,905
Retained earnings	1,713,897	2,433,363	2,957,511
Accumulated other comprehensive income (loss)	(340,727)	(98,958)	(76,429)
Deferred compensation	(14,732)	(14,459)	(13,186)
Controlling interest shareholders' equity	5,553,006	6,501,696	5,327,801
Noncontrolling interests	26,828	27,320	30,413
Total shareholders' equity	5,579,834	6,529,016	5,358,214
	\$ 54,545,012	\$ 55,092,791	\$ 53,408,293

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31,	
	2009	2008
Interest income:		
Interest and fees on loans	\$ 579,852	\$ 688,439
Interest on loans held for sale	2,756	3,017
Lease financing	4,593	5,818
Interest on money market investments	3,376	19,028
Interest on securities:		
Held-to-maturity taxable	18,908	2,455
Held-to-maturity nontaxable	6,265	6,429
Available-for-sale taxable	21,703	62,356
Available-for-sale nontaxable	1,678	1,892
Trading account	571	681
Total interest income	639,702	790,115
Interest expense:		
Interest on savings and money market deposits	74,553	103,987
Interest on time and foreign deposits	62,679	106,222
Interest on short-term borrowings	6,020	63,273
Interest on long-term borrowings	21,675	30,175
Total interest expense	164,927	303,657
Net interest income	474,775	486,458
Provision for loan losses	297,624	92,282
Net interest income after provision for loan losses	177,151	394,176
Noninterest income:		
Service charges and fees on deposit accounts	52,788	49,585
Other service charges, commissions and fees	38,227	41,981
Trust and wealth management income	7,165	9,693
Capital markets and foreign exchange	13,204	10,397
Dividends and other investment income	8,408	12,910
Loan sales and servicing income	5,851	7,810
Income from securities conduit	1,235	2,581
Fair value and nonhedge derivative income (loss)	4,004	3,787
Equity securities gains (losses), net	2,763	10,068
Fixed income securities gains (losses), net	195	1,775
Impairment losses on investment securities:		
Impairment losses on investment securities	(165,616)	(40,785)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	82,943	
Net impairment losses on investment securities	(82,673)	(40,785)
Valuation losses on securities purchased	(200,391)	(5,204)
Other	3,962	6,402
Total noninterest income	(145,262)	111,000
Noninterest expense:		

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Salaries and employee benefits	204,161	209,354
Occupancy, net	28,327	26,799
Furniture and equipment	24,999	23,738
Other real estate expense	18,343	1,838
Legal and professional services	8,543	7,880
Postage and supplies	8,410	9,789
Advertising	7,148	6,351
FDIC premiums	14,171	4,203
Amortization of core deposit and other intangibles	6,886	8,820
Other	55,217	51,331
Total noninterest expense	376,205	350,103
Impairment loss on goodwill	633,992	
Income (loss) before income taxes	(978,308)	155,073
Income taxes (benefit)	(151,727)	49,896
Net income (loss)	(826,581)	105,177
Net loss applicable to noncontrolling interests	(540)	(1,572)
Net income (loss) applicable to controlling interest	(826,041)	106,749
Preferred stock dividends	26,286	2,453
Net earnings (loss) applicable to common shareholders	\$ (852,327)	\$ 104,296
Weighted average common shares outstanding during the period:		
Basic shares	114,106	106,514
Diluted shares	114,106	106,687
Net earnings (loss) per common share:		
Basic	\$ (7.47)	\$ 0.97
Diluted	(7.47)	0.97

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share amounts)	Common stock			Retained earnings	Accumulated other comprehensive income (loss)	Deferred compensation	Noncontrolling interests	Total shareholders equity
	Preferred stock	Shares	Amount					
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 FSP FAS 115-2 and 124-2				137,462	(137,462)			
Comprehensive loss:								
Net loss for the period				(826,041)			(540)	(826,581)
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding losses on investments and retained interests					(83,553)			
Reclassification for net realized losses on investments recorded in operations					38,862			
Noncredit-related impairment losses on securities not expected to be sold					(49,928)			
Accretion of securities with noncredit-related impairment losses not expected to be sold					896			
Net unrealized losses on derivative instruments					(10,584)			
Other comprehensive loss					(104,307)			(104,307)
Total comprehensive loss								(930,888)
Net stock issued under employee plans and related tax benefits		(9,145)	7,625					7,625
Dividends on preferred stock	5,193			(26,286)				(21,093)
Dividends on common stock, \$.04 per share				(4,601)				(4,601)
Change in deferred compensation						(273)		(273)
Other changes in noncontrolling interests							48	48
Balance, March 31, 2009	\$ 1,587,027	115,335,668	\$ 2,607,541	\$ 1,713,897	\$ (340,727)	\$ (14,732)	\$ 26,828	\$ 5,579,834
Balance, December 31, 2007	\$ 240,000	107,116,505	\$ 2,212,237	\$ 2,910,692	\$ (58,835)	\$ (11,294)	\$ 30,939	\$ 5,323,739
Cumulative effect of change in accounting principle, adoption of SFAS 159				(11,471)	11,471			
Comprehensive income:								
Net income (loss) for the period				106,749			(1,572)	105,177
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding losses on investments and retained interests					(126,852)			
Foreign currency translation					(1)			
Reclassification for net realized losses on investments recorded in operations					24,087			
Net unrealized gains on derivative instruments					73,701			

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Other comprehensive loss						(29,065)				(29,065)
Total comprehensive income										76,112
Net stock issued under employee plans and related tax benefits	22,683	7,668								7,668
Dividends on preferred stock						(2,453)				(2,453)
Dividends on common stock, \$.43 per share						(46,006)				(46,006)
Change in deferred compensation							(1,892)			(1,892)
Other changes in noncontrolling interests								1,046		1,046
Balance, March 31, 2008	\$ 240,000	107,139,188	\$ 2,219,905	\$ 2,957,511	\$ (76,429)	\$ (13,186)	\$ 30,413	\$ 5,358,214		

See accompanying notes to consolidated financial statements.

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)	Three Months Ended	
	2009	March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the period	\$ (826,581)	\$ 105,177
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment and valuation losses on investment securities and goodwill	917,056	45,989
Provision for credit losses	299,451	95,900
Depreciation of premises and equipment	18,613	18,250
Amortization	17,783	10,364
Deferred income tax benefit	(158,607)	(32,237)
Share-based compensation	8,137	6,596
Excess tax benefits from share-based compensation	(17)	(257)
Equity securities gains, net	(2,763)	(10,068)
Fixed income securities gains, net	(195)	(1,775)
Net increase in trading securities	(23,134)	(10,857)
Principal payments on and proceeds from sales of loans held for sale	476,030	288,070
Originations of loans held for sale	(543,368)	(301,247)
Net write-down of and losses from sales of other real estate owned	16,270	1,698
Net gains on sales of loans, leases and other assets	(5,046)	(7,468)
Income from increase in cash surrender value of bank-owned life insurance	(5,829)	(6,328)
Change in accrued income taxes	5,483	60,131
Change in accrued interest receivable	27,336	16,753
Change in other assets	35,086	106,423
Change in other liabilities	(85,853)	(87,751)
Change in accrued interest payable	(5,035)	3,104
Other, net	(10,319)	5,830
Net cash provided by operating activities	154,498	306,297
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in money market investments	435,569	(554,779)
Proceeds from maturities and paydowns of investment securities held-to-maturity	29,670	23,811
Purchases of investment securities held-to-maturity	(16,488)	(20,918)
Proceeds from sales of investment securities available-for-sale	223,267	456,307
Proceeds from maturities and paydowns of investment securities available-for-sale	121,192	969,910
Purchases of investment securities available-for-sale	(942,368)	(765,838)
Proceeds from sales of loans and leases	16,311	18,961
Securitized loans purchased		(283,204)
Loan and lease originations, net of collections	374,228	(606,436)
Net decrease (increase) in other noninterest-bearing investments	5,858	(73,754)
Proceeds from sales of premises and equipment and other assets	4,715	7,258
Purchases of premises and equipment	(37,275)	(25,778)
Proceeds from sales of other real estate owned	27,275	5,928
Net cash received from acquisition	113,471	
Net cash provided by (used in) investing activities	355,425	(848,532)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(In thousands)	Three Months Ended	
	2009	March 31, 2008
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	\$ 947,125	\$ 593,538
Net change in short-term funds borrowed	(1,830,753)	(197,962)
Repayments of FHLB advances and other borrowings over one year	(573)	(606)
Proceeds from issuance of long-term debt	255,167	
Debt issuance costs	(9,024)	(131)
Repayments of long-term debt	(69)	
Proceeds from issuance of common stock		1,219
Payments to redeem common stock	(123)	(237)
Excess tax benefits from share-based compensation	17	257
Dividends paid on preferred stock	(21,093)	(2,453)
Dividends paid on common stock	(4,601)	(46,006)
Net cash provided by (used in) financing activities	(663,927)	347,619
Net decrease in cash and due from banks	(154,004)	