

ZIONS BANCORPORATION /UT/
Form 10-Q
August 08, 2012
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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, 2012

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 (I.R.S. Employer
incorporation or organization) Identification No.)

ONE SOUTH MAIN, 15TH FLOOR 84133
SALT LAKE CITY, UTAH (Zip Code)
(Address of principal executive offices)

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

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, 2012 184,148,177 shares

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (Unaudited)
ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks	\$1,124,673	\$1,224,350
Money market investments:		
Interest-bearing deposits	7,887,175	7,020,895
Federal funds sold and security resell agreements	83,529	102,159
Investment securities:		
Held-to-maturity, at adjusted cost (approximate fair value \$715,710 and \$729,974)	773,016	807,804
Available-for-sale, at fair value	3,167,590	3,230,795
Trading account, at fair value	20,539	40,273
	3,961,145	4,078,872
Loans held for sale	139,245	201,590
Loans, net of unearned income and fees:		
Loans and leases	36,231,104	36,393,782
FDIC-supported loans	642,246	750,870
	36,873,350	37,144,652
Less allowance for loan losses	971,716	1,049,958
Loans, net of allowance	35,901,634	36,094,694
Other noninterest-bearing investments	867,882	865,231
Premises and equipment, net	714,913	719,276
Goodwill	1,015,129	1,015,129
Core deposit and other intangibles	59,277	67,830
Other real estate owned	144,816	153,178
Other assets	1,507,594	1,605,905
	\$53,407,012	\$53,149,109
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$16,498,248	\$16,110,857
Interest-bearing:		
Savings and NOW	7,505,841	7,159,101
Money market	14,439,389	14,616,740
Time	3,211,942	3,413,550
Foreign	1,504,827	1,575,361
	43,160,247	42,875,609
Securities sold, not yet purchased	104,882	44,486
Federal funds purchased and security repurchase agreements	759,591	608,098
Other short-term borrowings	7,621	70,273
Long-term debt	2,274,571	1,954,462
Reserve for unfunded lending commitments	103,586	102,422
Other liabilities	507,151	510,531
Total liabilities	46,917,649	46,165,881
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	1,800,473	2,377,560

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Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 184,117,522 and 184,135,388 shares	4,157,525	4,163,242
Retained earnings	1,110,120	1,036,590
Accumulated other comprehensive income (loss)	(576,147	) (592,084)
Controlling interest shareholders' equity	6,491,971	6,985,308
Noncontrolling interests	(2,608	) (2,080)
Total shareholders' equity	6,489,363	6,983,228
	\$53,407,012	\$53,149,109

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		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Interest income:				
Interest and fees on loans	\$478,569	\$523,741	\$965,184	\$1,041,898
Interest on money market investments	5,099	3,199	9,727	6,042
Interest on securities:				
Held-to-maturity	9,325	9,009	18,284	17,673
Available-for-sale	25,090	22,179	48,248	44,455
Trading account	148	538	486	990
Total interest income	518,231	558,666	1,041,929	1,111,058
Interest expense:				
Interest on deposits	20,823	34,257	44,236	70,741
Interest on short-term borrowings	256	1,783	1,035	3,963
Interest on long-term debt	65,165	106,454	122,372	196,326
Total interest expense	86,244	142,494	167,643	271,030
Net interest income	431,987	416,172	874,286	840,028
Provision for loan losses	10,853	1,330	26,517	61,330
Net interest income after provision for loan losses	421,134	414,842	847,769	778,698
Noninterest income:				
Service charges and fees on deposit accounts	43,426	42,878	86,958	87,408
Other service charges, commissions and fees	38,554	43,958	72,780	85,643
Trust and wealth management income	8,057	7,179	14,431	13,933
Capital markets and foreign exchange	7,342	8,358	13,076	15,572
Dividends and other investment income	21,542	17,239	31,022	25,267
Loan sales and servicing income	10,287	9,836	18,639	15,849
Fair value and nonhedge derivative income (loss)	(6,784)	) 4,195	(11,184)	) 5,415
Equity securities gains (losses), net	107	(1,636)	) 9,252	(739)
Fixed income securities gains (losses), net	5,519	(2,396)	) 6,239	(2,455)
Impairment losses on investment securities:				
Impairment losses on investment securities	(24,026)	) (6,339)	) (42,299)	) (9,444)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	16,718	1,181	24,782	1,181
Net impairment losses on investment securities	(7,308)	) (5,158)	) (17,517)	) (8,263)
Other	2,280	3,896	6,325	24,862
Total noninterest income	123,022	128,349	230,021	262,492
Noninterest expense:				
Salaries and employee benefits	220,765	222,138	445,399	437,148
Occupancy, net	28,169	27,588	56,120	55,598
Furniture and equipment	27,302	26,153	54,094	51,815
Other real estate expense	6,440	17,903	14,250	42,070
Credit-related expense	12,415	17,124	25,900	32,037
Provision for unfunded lending commitments	4,868	(1,904)	) 1,164	(11,444)
Legal and professional services	12,947	8,432	24,043	15,121
Advertising	6,618	5,962	12,425	12,873

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FDIC premiums	10,444	15,232	21,363	39,333
Amortization of core deposit and other intangibles	4,262	4,855	8,553	10,556
Other	67,426	72,773	130,717	139,524
Total noninterest expense	401,656	416,256	794,028	824,631
Income before income taxes	142,500	126,935	283,762	216,559
Income taxes	51,036	54,325	102,895	91,358
Net income	91,464	72,610	180,867	125,201
Net loss applicable to noncontrolling interests	(273)	(265)	(546)	(491)
Net income applicable to controlling interest	91,737	72,875	181,413	125,692
Preferred stock dividends	(36,522)	(43,837)	(100,709)	(81,887)
Net earnings applicable to common shareholders	\$55,215	\$29,038	\$80,704	\$43,805
Weighted average common shares outstanding during the period:				
Basic shares	182,985	182,472	182,892	182,092
Diluted shares	183,137	182,728	183,050	182,365
Net earnings per common share:				
Basic	\$0.30	\$0.16	\$0.44	\$0.24
Diluted	0.30	0.16	0.44	0.24
See accompanying notes to consolidated financial statements.				

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Net income	\$91,464	\$72,610	\$180,867	\$125,201
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding gains (losses) on investments	6,431	(4,272)	) 29,045	(36,060)
Reclassification for net losses on investments included in earnings	821	4,636	6,619	6,590
Noncredit-related impairment losses on securities not expected to be sold	(10,323)	) (729)	) (15,303)	) (729)
Accretion of securities with noncredit-related impairment losses not expected to be sold	367	73	532	99
Net unrealized losses on derivative instruments	(1,876)	) (5,036)	) (4,956)	) (13,095)
Other comprehensive income (loss)	(4,580)	) (5,328)	) 15,937	(43,195)
Comprehensive income	86,884	67,282	196,804	82,006
Comprehensive loss applicable to noncontrolling interests	(273)	) (265)	) (546)	) (491)
Comprehensive income applicable to controlling interest	\$87,157	\$67,547	\$197,350	\$82,497
See accompanying notes to consolidated financial statements.				

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

(In thousands, except share and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Noncontrolling interests	Total shareholders' equity
		Shares	Amount				
Balance at December 31, 2011	\$2,377,560	184,135,388	\$4,163,242	\$1,036,590	\$(592,084)	\$(2,080)	\$6,983,228
Net income (loss) for the period				181,413		(546)	180,867
Other comprehensive income					15,937		15,937
Issuance of preferred stock 143,750			(2,408)				141,342
Preferred stock redemption (842,500)			3,830	(3,830)			(842,500)
Subordinated debt converted to preferred stock	93,568		(13,602)				79,966
Net activity under employee plans and related tax benefits		(17,866)	6,463				6,463
Dividends on preferred stock	28,095			(100,709)			(72,614)
Dividends on common stock, \$0.02 per share				(3,704)			(3,704)
Change in deferred compensation				360			360
Other changes in noncontrolling interests						18	18
Balance at June 30, 2012	\$1,800,473	184,117,522	\$4,157,525	\$1,110,120	\$(576,147)	\$(2,608)	\$6,489,363
Balance at December 31, 2010	\$2,056,672	182,784,086	\$4,163,619	\$889,284	\$(461,296)	\$(1,065)	\$6,647,214
Net income (loss) for the period				125,692		(491)	125,201
Other comprehensive loss					(43,195)		(43,195)
Subordinated debt converted to preferred stock	262,062		(37,744)				224,318
Issuance of common stock		1,067,540	25,048				25,048
Net activity under employee plans and related tax benefits		459,664	7,446				7,446
Dividends on preferred stock	10,636			(81,887)			(71,251)
				(3,653)			(3,653)

Dividends on common stock, \$0.02 per share								
Change in deferred compensation				1,909				1,909
Other changes in noncontrolling interests						54		54
Balance at June 30, 2011	\$2,329,370	184,311,290	\$4,158,369	\$931,345	\$(504,491)	\$(1,502)		\$6,913,091
See accompanying notes to consolidated financial statements.								

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ZIONS BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$91,464	\$72,610	\$180,867	\$125,201
Adjustments to reconcile net income to net cash provided by operating activities:				
Net impairment losses on investment securities	7,308	5,158	17,517	8,263
Provision for credit losses	15,721	(574)	27,681	49,886
Depreciation and amortization	62,166	105,790	119,309	195,596
Deferred income tax expense (benefit)	(630)	33,913	19,055	87,703
Net increase (decrease) in trading securities	(1,506)	5,397	19,734	(2,485)
Net decrease in loans held for sale	50,464	41,041	71,377	69,512
Net write-downs of and losses from sales of other real estate owned	5,509	14,363	13,341	34,113
Change in other liabilities	(11,731)	29,928	(30,530)	(6,896)
Change in other assets	38,398	41,334	88,823	59,488
Other, net	3,544	(2,734)	(18,372)	(4,934)
Net cash provided by operating activities	260,707	346,226	508,802	615,447
CASH FLOWS FROM INVESTING ACTIVITIES				
Net increase in money market investments	(288,671)	(291,604)	(847,650)	(341,811)
Proceeds from maturities and paydowns of investment securities held-to-maturity	34,106	12,923	54,685	42,031
Purchases of investment securities held-to-maturity	(24,461)	(21,316)	(33,738)	(26,809)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	235,192	277,419	676,174	579,669
Purchases of investment securities available-for-sale	(187,627)	(238,577)	(593,930)	(518,463)
Proceeds from sales of loans and leases	13,478	16,182	39,787	17,264
Net loan and lease collections (originations)	(397,181)	(492,134)	18,230	(536,945)
Net decrease in other noninterest-bearing investments	6,445	5,522	12,174	10,318
Net purchases of premises and equipment	(17,655)	(19,295)	(32,817)	(39,480)
Proceeds from sales of other real estate owned	58,485	95,036	97,884	186,877
Net cash paid for sale of branch	—	—	(22,568)	—
Net cash used in investing activities	(567,889)	(655,844)	(631,769)	(627,349)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	61,160	598,817	313,997	256,275
Net change in short-term funds borrowed	318,039	(190,675)	149,208	(110,583)