

ZIONS BANCORPORATION /UT/  
Form 10-Q  
May 07, 2015

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, 2015

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, 15<sup>th</sup> Floor  
Salt Lake City, Utah

84133  
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (801) 844-7637

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 April 30, 2015

203,209,100 shares

ZIONS BANCORPORATION AND SUBSIDIARIES  
INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Comprehensive Income</u>	5
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	6
<u>Consolidated Statements of Cash Flows</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	51
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	88
Item 4. <u>Controls and Procedures</u>	88
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	89
Item 1A. <u>Risk Factors</u>	89
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	89
Item 6. <u>Exhibits</u>	89
<u>Signatures</u>	90

Table of Contents

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

(In thousands, except shares)	March 31, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks	\$720,858	\$841,942
Money market investments:		
Interest-bearing deposits	6,791,762	7,178,097
Federal funds sold and security resell agreements	1,519,352	1,386,291
Investment securities:		
Held-to-maturity, at amortized cost (approximate fair value \$602,355 and \$677,196)	590,950	647,252
Available-for-sale, at fair value	4,450,502	3,844,248
Trading account, at fair value	71,392	70,601
	5,112,844	4,562,101
Loans held for sale	128,946	132,504
Loans and leases, net of unearned income and fees	40,180,114	40,063,658
Less allowance for loan losses	620,013	604,663
Loans, net of allowance	39,560,101	39,458,995
Other noninterest-bearing investments	870,125	865,950
Premises and equipment, net	844,900	829,809
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	23,162	25,520
Other real estate owned	17,256	18,916
Other assets	952,496	894,620
	\$57,555,931	\$57,208,874
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing demand	\$20,854,630	\$20,529,124
Interest-bearing:		
Savings and money market	24,540,927	24,583,636
Time	2,344,818	2,406,924
Foreign	382,985	328,391
	48,123,360	47,848,075
Federal funds and other short-term borrowings	203,597	244,223
Long-term debt	1,089,321	1,092,282
Reserve for unfunded lending commitments	82,287	81,076
Other liabilities	603,068	573,688
Total liabilities	50,101,633	49,839,344
Shareholders' equity:		

Edgar Filing: ZIONS BANCORPORATION /UT/ - Form 10-Q

Preferred stock, without par value, authorized 4,400,000 shares	1,004,032	1,004,011
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 203,192,991 and 203,014,903 shares	4,728,556	4,723,855
Retained earnings	1,836,619	1,769,705
Accumulated other comprehensive income (loss)	(114,909	) (128,041
Total shareholders' equity	7,454,298	7,369,530
	\$57,555,931	\$57,208,874

See accompanying notes to consolidated financial statements.

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	March 31, 2015	2014
Interest income:		
Interest and fees on loans	\$415,755	\$434,350
Interest on money market investments	5,218	5,130
Interest on securities	27,473	28,094
Total interest income	448,446	467,574
Interest expense:		
Interest on deposits	12,104	12,779
Interest on short- and long-term borrowings	18,996	38,324
Total interest expense	31,100	51,103
Net interest income	417,346	416,471
Provision for loan losses	(1,494	) (610
Net interest income after provision for loan losses	418,840	417,081
Noninterest income:		
Service charges and fees on deposit accounts	41,194	41,199
Other service charges, commissions and fees	47,486	44,250
Wealth management income	7,615	7,077
Loan sales and servicing income	7,706	7,096
Capital markets and foreign exchange	5,501	5,043
Dividends and other investment income	9,372	7,864
Fair value and nonhedge derivative loss	(1,088	) (8,539
Equity securities gains, net	3,353	912
Fixed income securities gains (losses), net	(239	) 30,914
Impairment losses on investment securities	—	(27
Less amounts recognized in other comprehensive income	—	—
Net impairment losses on investment securities	—	(27
Other	922	2,524
Total noninterest income	121,822	138,313
Noninterest expense:		
Salaries and employee benefits	243,519	233,402
Occupancy, net	29,339	28,305
Furniture, equipment and software	29,713	27,944
Other real estate expense	374	1,607
Credit-related expense	5,939	6,947
Provision for unfunded lending commitments	1,211	(1,012
Professional and legal services	11,483	10,995
Advertising	6,975	6,398
FDIC premiums	8,119	7,922
Amortization of core deposit and other intangibles	2,358	2,882
Other	58,431	72,673
Total noninterest expense	397,461	398,063

Edgar Filing: ZIONS BANCORPORATION /UT/ - Form 10-Q

Income before income taxes	143,201	157,331
Income taxes	51,176	56,121
Net income	92,025	101,210
Dividends on preferred stock	(16,746	) (25,020 )
Net earnings applicable to common shareholders	\$75,279	\$76,190
Weighted average common shares outstanding during the period:		
Basic shares	202,603	184,440
Diluted shares	202,944	185,123
Net earnings per common share:		
Basic	\$0.37	\$0.41
Diluted	0.37	0.41

See accompanying notes to consolidated financial statements.

Table of Contents

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

(In thousands)	Three Months Ended	
	March 31, 2015	2014
Net income for the period	\$92,025	\$101,210
Other comprehensive income, net of tax:		
Net unrealized holding gains on investment securities	486	73,907
Reclassification of HTM securities to AFS securities	10,938	—
Reclassification to earnings for realized net fixed income securities losses (gains)	148	(24,840 )
Reclassification to earnings for net credit-related impairment losses on investment securities	—	17
Accretion of securities with noncredit-related impairment losses not expected to be sold	—	286
Net unrealized losses on other noninterest-bearing investments	(364 )	(2,841 )
Net unrealized holding gains on derivative instruments	2,553	320
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(629 )	(210 )
Other comprehensive income	13,132	46,639
Comprehensive income	\$105,157	\$147,849
See accompanying notes to consolidated financial statements.		

Table of Contents

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

(In thousands, except shares and per share amounts)	Preferred stock	Common stock		Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
		Shares	Amount			
Balance at December 31, 2014	\$ 1,004,011	203,014,903	\$ 4,723,855	\$ 1,769,705	\$(128,041 )	\$ 7,369,530
Net income for the period				92,025		92,025
Other comprehensive income, net of tax					13,132	13,132
Subordinated debt converted to preferred stock	21		(6 )			15
Net activity under employee plans and related tax benefits		178,088	4,707			4,707
Dividends on preferred stock				(16,746 )		(16,746 )
Dividends on common stock, \$0.04 per share				(8,176 )		(8,176 )
Change in deferred compensation				(189 )		(189 )
Balance at March 31, 2015	\$ 1,004,032	203,192,991	\$ 4,728,556	\$ 1,836,619	\$(114,909 )	\$ 7,454,298
Balance at December 31, 2013	\$ 1,003,970	184,677,696	\$ 4,179,024	\$ 1,473,670	\$(192,101 )	\$ 6,464,563
Net income for the period				101,210		101,210
Other comprehensive income, net of tax					46,639	46,639
Net activity under employee plans and related tax benefits		217,486	6,489			6,489
Dividends on preferred stock				(25,020 )		(25,020 )
Dividends on common stock, \$0.04 per share				(7,436 )		(7,436 )
Change in deferred compensation				(229 )		(229 )
Balance at March 31, 2014	\$ 1,003,970	184,895,182	\$ 4,185,513	\$ 1,542,195	\$(145,462 )	\$ 6,586,216

See accompanying notes to consolidated financial statements.



Table of Contents

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

(In thousands)	Three Months Ended March 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	\$92,025	\$101,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Net impairment losses on investment securities	—	27
Provision for credit losses	(283	) (1,622
Depreciation and amortization	34,169	32,404
Fixed income securities losses (gains), net	239	(30,914
Deferred income tax expense	3,402	78,278
Net increase in trading securities	(1,021	) (21,862
Net decrease in loans held for sale	3,517	44,984
Change in other liabilities	25,566	(77,796
Change in other assets	(65,248	) 3,226
Other, net	(3,549	) 2,336
Net cash provided by operating activities	88,817	130,271
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease (increase) in money market investments	253,274	(80,851
Proceeds from maturities and paydowns of investment securities held-to-maturity	39,323	18,935
Purchases of investment securities held-to-maturity	(22,576	) (35,750
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	228,894	847,288
Purchases of investment securities available-for-sale	(784,856	) (452,123
Net change in loans and leases	(100,442	) (166,415
Net purchases of premises and equipment	(33,533	) (76,916
Proceeds from sales of other real estate owned	3,401	11,825
Other, net	3,351	5,617
Net cash provided by (used in) investing activities	(413,164	) 71,610
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	275,285	170,422
Net change in short-term funds borrowed	(40,626	) (60,511
Repayments of long-term debt	(8,185	) (124,755
Proceeds from the issuance of common stock	962	2,880
Dividends paid on common and preferred stock	(23,234	) (23,741
Other, net	(939	) (303
Net cash provided by (used in) financing activities	203,263	(36,008
Net increase (decrease) in cash and due from banks	(121,084	) 165,873
Cash and due from banks at beginning of period	841,942	1,173,057
Cash and due from banks at end of period	\$720,858	\$1,338,930

Edgar Filing: ZIONS BANCORPORATION /UT/ - Form 10-Q

Cash paid for interest	\$22,119	\$40,849
Net refunds received for income taxes	(500	) (81
See accompanying notes to consolidated financial statements.	)	)

7

---

Table of ContentsZIONS BANCORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 2015

## 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation (“the Parent”) and its majority-owned subsidiaries (collectively “the Company,” “Zions,” “we,” “our,” “us”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. References to GAAP, including standards promulgated by the Financial Accounting Standards Board (“FASB”) are made according to sections of the Accounting Standards Codification (“ASC”) and to Accounting Standards Updates (“ASU”), which include consensus issues of the Emerging Issues Task Force (“EITF”). In certain cases, ASUs are issued jointly with International Financial Reporting Standards (“IFRS”). Certain prior period amounts have been reclassified to conform with the current period presentation. These reclassifications did not affect net income.

Operating results for the three months ended March 31, 2015 and 2014 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2014 is from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s 2014 Annual Report on Form 10-K.

The Company provides a full range of banking and related services through subsidiary banks in 11 Western and Southwestern states as follows: Zions First National Bank (“Zions Bank”), in Utah, Idaho and Wyoming; California Bank & Trust (“CB&T”); Amegy Corporation (“Amegy”) and its subsidiary, Amegy Bank, in Texas; National Bank of Arizona (“NBAZ”); Nevada State Bank (“NSB”); Vectra Bank Colorado (“Vectra”), in Colorado and New Mexico; The Commerce Bank of Washington (“TCBW”); and The Commerce Bank of Oregon (“TCBO”). Effective April 1, 2015, TCBO was merged into TCBW. The Parent and its subsidiary banks also own and operate certain nonbank subsidiaries that engage in financial services.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company			
ASU 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement (Subtopic 350-40)	The standard provides guidance to determine whether an arrangement includes a software license. If it does, the customer accounts for it the same way as for other software licenses. If no software license is included, the customer accounts for it as a service contract. Adoption may be retrospective or prospective. Early adoption is permitted.	January 1, 2016	We are currently evaluating the impact this new guidance may have on the Company’s financial statements.
ASU 2015-03, Simplifying the Presentation of Debt	The standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the associated debt	January 1, 2016	We currently include debt issuance costs in other assets. The amount

Issuance  
Costs (Subtopic  
835-30)

liability, consistent with debt discounts. Adoption is  
retrospective and early adoption is permitted.

to be reclassified to the  
debt liability is not  
material to the  
Company's financial  
statements.

8

---

Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
Standards not yet adopted by the Company (continued)			
ASU 2015-02, Amendments to the Consolidation Analysis (Topic 810)	The new standard changes certain criteria in the variable interest model and the voting model to determine whether certain legal entities are variable interest entities (“VIEs”) and whether they should be consolidated. Additional disclosures are required regarding entities not currently considered VIEs, but may become VIEs under the new guidance and may be subject to consolidation. Adoption may be retrospective or modified retrospective with a cumulative effect adjustment. Early adoption is permitted.	January 1, 2016	We currently do not consolidate any VIEs and do not expect this new guidance will have a material impact on the Company’s financial statements.
ASU 2014-09, Revenue from Contracts with Customers (Topic 606)	The core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The banking industry does not expect significant changes because major sources of revenue are from financial instruments that have been excluded from the scope of the new standard, (including loans, derivatives, debt and equity securities, etc.). However, the new standard affects other fees charged by banks, such as asset management fees, credit card interchange fees, deposit account fees, etc. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Early adoption is not permitted.	January 1, 2017 (FASB voted on April 1, 2015 to propose to defer effective date by one year from the above date).	While we currently do not expect this standard will have a significant impact on the Company’s financial statements, we are still in process of conducting our evaluation.
Standards adopted by the Company			
ASU 2014-14, Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (Subtopic 310-40)	The standard addresses the classification of certain foreclosed mortgage loans fully or partially guaranteed under government programs. Under certain such programs, qualifying creditors can extend mortgage loans with a guarantee entitling the creditor to recover all or a portion of the unpaid principal balance from the government if the borrower defaults. A separate other receivable is established that is measured based on the amount of the loans expected to be recovered.	January 1, 2015	Our adoption of this standard had no impact on the accompanying financial statements.

ASU 2014-04,  
Reclassification of  
Residential Real Estate  
Collateralized  
Consumer Mortgage  
Loans upon Foreclosure  
(Subtopic 310-40)

The standard clarifies that a creditor should be considered to have physical possession of a residential real estate property collateralizing a residential mortgage loan and thus would reclassify the loan to other real estate owned when certain conditions are satisfied. Additional financial statement disclosures will be required.

January 1,  
2015

Our adoption of this standard added a nominal amount of additional disclosure to Note 6.

ASU 2014-01,  
Accounting for  
Investments in Qualified  
Affordable Housing  
Projects (Topic 323)

The standard revised conditions an entity must meet to elect the effective yield method when accounting for qualified affordable housing project investments. The EITF final consensus changed the method of amortizing a Low-Income Housing Tax Credit (“LIHTC”) investment from the effective yield method to a proportional amortization method. Amortization would be proportional to the tax credits and tax benefits received but, under a practical expedient available in certain circumstances, amortization could be proportional to only the tax credits. Reporting entities that invest in LIHTC investments through a limited liability entity could elect the proportional amortization method if certain conditions are met.

January 1,  
2015

Our adoption of this standard did not have a significant effect on the accompanying financial statements.

Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

## 3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended	
	March 31, 2015	2014
Loans and leases transferred to other real estate owned	\$3,568	\$6,338
Loans held for sale reclassified as loans and leases	13,138	3,789
Amortized cost of HTM securities reclassified as AFS securities	79,276	—

## 4. OFFSETTING ASSETS AND LIABILITIES

Gross and net information for selected financial instruments in the balance sheet is as follows:

March 31, 2015

(In thousands)	Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral received/pledged	
Assets:							
	Federal funds sold and security resell agreements	\$1,519,352	\$—	\$1,519,352	\$—	\$ —	\$1,519,352
	Derivatives (included in other assets)	83,978	—	83,978	(5,121 )	—	78,857
		\$1,603,330	\$—	\$1,603,330	\$(5,121 )	\$ —	\$1,598,209
Liabilities:							
	Federal funds and other short-term borrowings	\$203,597	\$—	\$203,597	\$—	\$ —	\$203,597
	Derivatives (included in other liabilities)	81,123	—	81,123	(5,121 )	(38,833 )	37,169
		\$284,720	\$—	\$284,720	\$(5,121 )	\$(38,833 )	\$240,766

(In thousands)

(In thousands)	Description	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
					Financial instruments	Cash collateral received/pledged	
Assets:							
	Federal funds sold and security resell agreements	\$1,386,291	\$—	\$1,386,291	\$—	\$ —	\$1,386,291
	Derivatives (included in other assets)	66,420	—	66,420	(3,755 )		62,665

Edgar Filing: ZIONS BANCORPORATION /UT/ - Form 10-Q

	\$1,452,711	\$—	\$1,452,711	\$(3,755 )	\$ —	\$1,448,956
<b>Liabilities:</b>						
Federal funds and other short-term borrowings	\$244,223	\$—	\$244,223	\$—	\$ —	\$244,223
Derivatives (included in other liabilities)	66,064	—	66,064	(3,755 )	(31,968 )	30,341
	\$310,287	\$—	\$310,287	\$(3,755 )	\$(31,968 )	\$274,564

Security resell and repurchase agreements are offset, when applicable, in the balance sheet according to master netting agreements. Security repurchase agreements are included with “Federal funds and other short-term borrowings.” Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Company’s balance sheet. See Note 7 for further information regarding derivative instruments.



Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

## 5. INVESTMENTS

## Investment Securities

Investment securities are summarized below. Note 10 discusses the process to estimate fair value for investment securities.

(In thousands)	March 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	\$590,950	\$12,208	\$803	\$602,355
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	631,603	1,406	7,139	625,870
Agency guaranteed mortgage-backed securities	1,417,843	16,441	614	1,433,670
Small Business Administration loan-backed securities	1,588,562	15,677	8,558	1,595,681
Municipal securities	175,017	1,282	689	175,610
Asset-backed securities:				
Trust preferred securities – banks and insurance	611,836	99	150,418	461,517
Other	5,229	235	—	5,464
	4,430,090	35,140	167,418	4,297,812
Mutual funds and other	153,235	101	646	152,690
	4,583,325	35,241	168,064	4,450,502
Total	\$5,174,275	\$47,449	\$168,867	\$5,052,857

(In thousands)	December 31, 2014						
	Amortized cost	Recognized in OCI <sup>1</sup>			Not recognized in OCI		Estimated fair value
		Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	
Held-to-maturity							
Municipal securities	\$607,675	\$—	\$—	\$607,675	\$13,018	\$804	\$619,889
Asset-backed securities:							
Trust preferred securities – banks and insurance	79,276	—	39,699	39,577	18,393	663	57,307
	686,951	—	39,699	647,252	31,411	1,467	677,196
Available-for-sale							
U.S. Government agencies and corporations:							
Agency securities	607,523	1,572	8,343	600,752			600,752
Agency guaranteed mortgage-backed securities	935,164	12,132	2,105	945,191			945,191
Small Business Administration loan-backed securities	1,544,710	16,446	8,891	1,552,265			1,552,265
Municipal securities	189,059	1,143	945	189,257			189,257
Asset-backed securities:							

Trust preferred securities – banks and insurance	537,589	103	121,984	415,708	415,708
Other	5,252	207	7	5,452	5,452
	3,819,297	31,603	142,275	3,708,625	3,708,625
Mutual funds and other	136,591	76	1,044	135,623	135,623
	3,955,888	31,679	143,319	3,844,248	3,844,248
Total	\$4,642,839	\$31,679	\$183,018	\$4,491,500	\$4,521,444
<sup>1</sup> Other comprehensive income					

Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

During the first quarter of 2015, we reclassified all of the remaining held-to-maturity (“HTM”) collateralized debt obligation (“CDO”) securities, or approximately \$79 million at amortized cost, to available-for-sale (“AFS”) securities. The reclassification reduced existing unrealized losses in OCI of \$40 million on HTM securities by approximately \$18 million pretax. These existing unrealized losses resulted from a previous reclassification of AFS securities to HTM, and from OTTI. We took this action as a result of the most recent Dodd-Frank Act stress test results and the treatment of the CDO securities under the new Basel III capital and risk weighting rules that became effective January 1, 2015. The reclassification provides the Company with greater flexibility in the management of these securities. Current accounting guidance allows for the reclassification of HTM to AFS securities, without calling into question the entity’s intent to hold other debt securities to maturity, when there has been a significant increase in the risk weights of debt securities used for regulatory risk-based capital purposes. No gain or loss was recognized in the statement of income at the time of reclassification.

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of March 31, 2015 by contractual maturity, except for CDOs, Small Business Administration (“SBA”) loan-backed securities, agency guaranteed mortgage-backed securities, and certain agency and municipal securities, where expected maturity is used. Actual maturities may differ from contractual or expected maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Due in one year or less	\$96,220	\$97,409	\$639,077	\$638,407
Due after one year through five years	188,507	191,799	1,719,501	1,718,550
Due after five years through ten years	158,244	164,415	1,155,325	1,146,764
Due after ten years	147,979	148,732	916,187	794,091
	\$590,950	\$602,355	\$4,430,090	\$4,297,812

The following is a summary of the amount of gross unrealized losses for investment securities and the estimated fair value by length of time the securities have been in an unrealized loss position:

(In thousands)	March 31, 2015					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	\$722	\$93,203	\$81	\$3,831	\$803	\$97,034
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	2,631	139,038	4,508	287,134	7,139	426,172
Agency guaranteed mortgage-backed securities	438	178,832	176	12,750	614	191,582
Small Business Administration loan-backed securities	4,551	460,629	4,007	264,312	8,558	724,941
Municipal securities	129	28,134	560	2,916	689	31,050

## Asset-backed securities:

Trust preferred securities – banks and insurance	—	—	150,418	446,038	150,418	446,038
	7,749	806,633	159,669	1,013,150	167,418	1,819,783
Mutual funds and other	646	72,296	—	—	646	72,296
	8,395	878,929	159,669	1,013,150	168,064	1,892,079
Total	\$9,117	\$972,132	\$159,750	\$1,016,981	\$168,867	\$1,989,113

Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	December 31, 2014					
	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Held-to-maturity						
Municipal securities	\$527	\$62,762	\$277	\$14,003	\$804	\$76,765
Asset-backed securities:						
Trust preferred securities – banks and insurance	53	122	40,309	57,186	40,362	57,308
	580	62,884	40,586	71,189	41,166	134,073
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	4,510	295,694	3,833	101,188	8,343	396,882
Agency guaranteed mortgage-backed securities	1,914	425,114	191	12,124	2,105	437,238
Small Business Administration loan-backed securities	5,869	495,817	3,022	175,523	8,891	671,340
Municipal securities	258	36,551	687	4,616	945	41,167
Asset-backed securities:						
Trust preferred securities – banks and insurance	—	—	121,984	405,605	121,984	405,605
Other	7	1,607	—	—	7	1,607
	12,558	1,254,783	129,717	699,056	142,275	1,953,839
Mutual funds and other	1,044	71,907	—	—	1,044	71,907
	13,602	1,326,690	129,717	699,056	143,319	2,025,746
Total	\$14,182	\$1,389,574	\$170,303	\$770,245	\$184,485	\$2,159,819

At March 31, 2015 and December 31, 2014, respectively, 188 and 153 HTM and 433 and 458 AFS investment securities were in an unrealized loss position.

**Other-Than-Temporary Impairment****Ongoing Policy**

We conduct a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment (“OTTI”). We assess whether OTTI is present when the fair value of a debt security is less than its amortized cost basis at the balance sheet date (the vast majority of the investment portfolio are debt securities). Under these circumstances, OTTI is considered to have occurred if (1) we have formed a documented intent to sell identified securities or initiated such sales; (2) it is “more likely than not” we will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis.

Noncredit-related OTTI in securities we intend to sell is recognized in earnings as is any credit-related OTTI in securities, regardless of our intent. Noncredit-related OTTI on AFS securities not expected to be sold is recognized in OCI. The amount of noncredit-related OTTI in a security is quantified as the difference in a security’s amortized cost after adjustment for credit impairment, and its lower fair value. Presentation of OTTI is made in the statement of income on a gross basis with an offset for the amount of OTTI recognized in OCI.

CDO Sales and Paydowns

During the first quarter of 2015, sales, paydowns and payoffs of CDO securities, along with net gains/losses, were not significant. During the first quarter of 2014, we recorded a total of \$993 million par amount of sales and paydowns of CDO securities, resulting in net gains of approximately \$31 million. These sales were made in part as a result of the Volcker Rule.

13

---

Table of Contents

ZIONS BANCORPORATION AND SUBSIDIARIES

OTTI Conclusions

Our 2014 Annual Report on Form 10-K describes in more detail our OTTI evaluation process. The following summarizes the conclusions from our OTTI evaluation by each security type that has significant gross unrealized losses at March 31, 2015:

OTTI – Asset-Backed Securities

Trust preferred securities – banks and insurance: These CDO securities are interests in variable rate pools of trust preferred securities issued by trusts related to bank holding companies and insurance companies (“collateral issuers”). They are rated by one or more Nationally Recognized Statistical Rating Organizations (“NRSROs”), which are rating agencies registered with the Securities and Exchange Commission (“SEC”). The more junior securities were purchased generally at par, while the senior securities were purchased from Lockhart Funding LLC (“Lockhart”), a previously consolidated qualifying special-purpose entity securities conduit, at their carrying values (generally par) and then adjusted to their lower fair values.

The primary driver of unrealized losses on CDOs with bank only or bank and insurance collateral are market yield requirements for bank and bank and insurance CDO securities. The financial crisis and economic downturn resulted in significant utilization of both the unique five-year deferral option, which each collateral issuer maintains during the life of the CDO, and the payment in kind (“PIK”) feature of junior priority securities. The PIK feature provides that upon the CDO reaching certain levels of collateral default or deferral, certain junior CDO tranches will not receive current interest but will instead have the unpaid interest amount capitalized. The rate of return demanded by the market for trust preferred CDOs remains substantially higher than the contractual interest rates. CDO tranches backed by bank trust preferred securities continue to be characterized by uncertainty surrounding collateral behavior, specifically including but not limited to, prepayments; the future number, size and timing of bank failures; holding company bankruptcies; and allowed deferrals and subsequent resumption of payment or default due to nonpayment of contractual interest.

Our ongoing review of these securities determined that no OTTI should be recorded in the first quarter of 2015.

OTTI – U.S. Government Agencies and Corporations

Agency securities: These securities were issued by the Federal Agricultural Mortgage Corporation (“FAMC”) and the Export-Import Bank of the U.S. These securities are floating rate and were purchased at premiums or discounts. They have maturity dates from 1 to 25 years and have contractual cash flows guaranteed by agencies of the U.S.

Government. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At March 31, 2015, we did not have an intent to sell identified securities with unrealized losses or initiate such sales, and we believe it is more likely than not we would not be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during the first quarter of 2015.

Small Business Administration Loan-Backed Securities: These securities were generally purchased at premiums with maturities from 5 to 25 years and have principal cash flows guaranteed by the SBA. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At March 31, 2015, we did not have an intent to sell identified SBA securities with unrealized losses or initiate such sales, and we believe it is more likely than not we would not be required to sell such securities before recovery of their amortized cost basis. Therefore, we did not record OTTI for these securities during the first quarter of 2015.

Table of Contents

## ZIONS BANCORPORATION AND SUBSIDIARIES

The following is a tabular rollforward of the total amount of credit-related OTTI:

(In thousands)	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	\$ (9,079 )	\$ (95,472 )	\$ (104,551 )	\$ (9,052 )	\$ (176,833 )	\$ (185,885 )
Additional credit-related OTTI on securities previously impaired	—	—	—	(27 )	—	(27 )
Reductions for securities sold or paid off during the period	—	1,313	1,313	—	12,919	12,919
Reclassification of securities from HTM to AFS	9,079	(9,079 )	—	—	—	—
Balance of credit-related OTTI at end of period	\$ —	\$ (103,238 )	\$ (103,238 )	\$ (9,079 )	\$ (163,914 )	\$ (172,993 )

To determine the credit component of OTTI for all security types, we utilize projected cash flows. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are utilized. In addition, certain internal and external models may be utilized. See Note 10 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security-specific effective interest rate when estimating the present value of cash flows.

The following summarizes gains and losses, including OTTI, that were recognized in the statement of income:

(In thousands)	Three Months Ended March 31, 2015		March 31, 2014	
	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:				
Held-to-maturity	\$ 1	\$ —	\$ —	\$ 27
Available-for-sale	958	1,198	72,561	41,647
Other noninterest-bearing investments	3,595	242	912	—
Net gains	4,554	1,440	73,473	41,674
		\$ 3,114		\$ 31,799
Statement of income information:				
Net impairment losses on investment securities		\$ —		\$ (27 )
Equity securities gains, net		3,353		912
Fixed income securities gains (losses), net		(239 )		30,914
Net gains		\$ 3,114		\$ 31,799

Interest income by security type is as follows:

(In thousands)	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	Taxable	Nontaxable	Total	Taxable	Nontaxable	Total



Edgar Filing: ZIONS BANCORPORATION /UT/ - Form 10-Q

Investment securities:

Held-to-maturity	\$3,592	\$2,862	\$6,454	\$3,828	\$2,836	\$6,664
Available-for-sale	19,768	653	20,421	20,424	524	20,