

ZIONS BANCORPORATION /UT/
Form 10-Q
August 09, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

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 0-2610

ZIONS BANCORPORATION

(Exact name of registrant as specified in its charter)

UTAH

(State or other jurisdiction)

87-0227400

(I.R.S. Employer)

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of incorporation or organization)
ONE SOUTH MAIN, SUITE 1134
SALT LAKE CITY, UTAH

Identification No.)
84111

(Address of principal executive offices)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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, 2006

106,677,220 shares

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ZIONS BANCORPORATION AND SUBSIDIARIES

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2006	December 31, 2005	June 30, 2005
(In thousands, except share amounts)	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 1,773,829	\$ 1,706,590	\$ 1,232,527
Money market investments:			
Interest-bearing deposits	87,512	22,179	11,004
Federal funds sold	262,959	414,281	52,327
Security resell agreements	225,160	230,282	537,327
Investment securities:			
Held to maturity, at cost (approximate market value \$620,786, \$642,258, and \$651,936)	639,593	649,791	649,888
Available for sale, at market	5,086,840	5,305,859	3,972,829
Trading account, at market (includes \$50,684, \$43,444, and \$102,916 transferred as collateral under repurchase agreements)	70,646	101,562	282,082
	<u>5,797,079</u>	<u>6,057,212</u>	<u>4,904,799</u>
Loans:			
Loans held for sale	248,948	256,236	207,123
Loans and leases	32,576,017	29,996,022	23,718,150
	<u>32,824,965</u>	<u>30,252,258</u>	<u>23,925,273</u>
Less:			
Unearned income and fees, net of related costs	142,630	125,322	103,710
Allowance for loan losses	348,475	338,399	281,428
	<u>32,333,860</u>	<u>29,788,537</u>	<u>23,540,135</u>
Other noninterest-bearing investments	993,379	938,515	698,968
Premises and equipment, net	574,154	564,745	409,488
Goodwill	1,881,256	1,887,588	638,933
Core deposit and other intangibles	177,692	199,166	51,397
Other real estate owned	16,024	19,966	11,070
Other assets	1,019,182	950,578	787,319
	<u>\$ 45,142,086</u>	<u>\$ 42,779,639</u>	<u>\$ 32,875,294</u>
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing demand	\$ 10,163,834	\$ 9,953,833	\$ 7,577,450
Interest-bearing:			
Savings and money market	15,814,128	16,055,754	13,195,200
Time under \$100,000	2,030,717	1,938,789	1,468,017
Time \$100,000 and over	3,402,314	2,514,596	1,557,978

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Foreign	1,843,217	2,179,436	599,890
	<u>33,254,210</u>	<u>32,642,408</u>	<u>24,398,535</u>
Securities sold, not yet purchased	27,388	64,654	291,353
Federal funds purchased	1,397,694	1,255,662	1,593,010
Security repurchase agreements	1,169,296	1,027,658	755,676
Other liabilities	789,222	592,599	544,691
Commercial paper	245,126	167,188	75,393
Federal Home Loan Bank advances and other borrowings:			
One year or less	1,216,848	18,801	314,643
Over one year	133,450	234,488	227,039
Long-term debt	2,432,903	2,511,366	1,712,381
	<u>40,666,137</u>	<u>38,514,824</u>	<u>29,912,721</u>
Minority interest	28,619	27,551	24,665
Shareholders' equity:			
Capital stock:			
Preferred stock, without par value; authorized 3,000,000 shares; issued and outstanding, none			
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 106,611,731, 105,147,562, and 90,062,646 shares	2,218,711	2,156,732	961,510
Retained earnings	2,386,369	2,179,885	1,994,015
Accumulated other comprehensive loss	(148,327)	(83,043)	(12,905)
Deferred compensation	(9,423)	(16,310)	(4,712)
	<u>4,447,330</u>	<u>4,237,264</u>	<u>2,937,908</u>
	<u>\$ 45,142,086</u>	<u>\$ 42,779,639</u>	<u>\$ 32,875,294</u>

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,		June 30,	
	2006	2005	2006	2005
Interest income:				
Interest and fees on loans	\$ 591,139	\$ 380,233	\$ 1,133,923	\$ 731,168
Interest on loans held for sale	4,055	2,618	8,101	4,221
Lease financing	4,496	4,023	8,626	8,089
Interest on money market investments	5,910	6,041	11,757	10,679
Interest on securities:				
Held to maturity taxable	2,209	1,833	4,424	3,638
Held to maturity nontaxable	5,683	6,008	11,214	11,991
Available for sale taxable	68,995	49,102	138,099	96,022
Available for sale nontaxable	2,119	834	4,458	1,690
Trading account	1,995	5,044	4,069	11,079
Total interest income	686,601	455,736	1,324,671	878,577
Interest expense:				
Interest on savings and money market deposits	97,131	49,236	183,754	89,972
Interest on time and foreign deposits	67,424	24,557	126,909	44,444
Interest on short-term borrowings	43,475	24,152	71,453	44,781
Interest on long-term debt	42,244	26,863	83,381	53,501
Total interest expense	250,274	124,808	465,497	232,698
Net interest income	436,327	330,928	859,174	645,879
Provision for loan losses	17,022	11,417	31,534	20,800
Net interest income after provision for loan losses	419,305	319,511	827,640	625,079
Noninterest income:				
Service charges and fees on deposit accounts	41,414	31,406	81,452	62,188
Loan sales and servicing income	14,921	16,790	30,389	34,858
Other service charges, commissions and fees	43,718	28,132	83,649	54,785
Trust and investment management income	5,312	4,604	10,008	8,071
Income from securities conduit	8,492	8,617	16,898	17,436
Dividends and other investment income	9,946	7,436	19,155	15,444
Market making, trading and nonhedge derivative income	5,444	6,509	9,869	10,293
Equity securities losses, net	(1,764)	(2,778)	(1,214)	(4,165)
Fixed income securities gains (losses), net	5,156	(1,187)	5,407	146
Other	5,120	6,403	10,634	9,774
Total noninterest income	137,759	105,932	266,247	208,830

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Noninterest expense:				
Salaries and employee benefits	185,643	138,244	371,498	276,370
Occupancy, net	24,549	18,504	48,630	36,957
Furniture and equipment	22,737	16,260	45,741	32,179
Legal and professional services	9,005	7,967	17,514	16,217
Postage and supplies	8,646	6,798	16,361	13,286
Advertising	6,814	5,335	12,799	9,428
Impairment losses on long-lived assets			1,304	633
Restructuring charges			17	92
Merger related expense	8,906		15,713	
Amortization of core deposit and other intangibles	10,692	3,696	21,385	7,129
Provision for unfunded lending commitments	(249)	1,042	(528)	2,713
Other	56,533	44,200	107,297	86,279
Total noninterest expense	333,276	242,046	657,731	481,283
Income before income taxes and minority interest	223,788	183,397	436,156	352,626
Income taxes	78,821	66,330	154,079	126,079
Minority interest	(343)	(1,743)	(866)	(2,497)
Net income	\$ 145,310	\$ 118,810	\$ 282,943	\$ 229,044
Weighted average shares outstanding during the period:				
Basic shares	106,001	89,846	105,738	89,861
Diluted shares	107,883	91,610	107,867	91,596
Net income per common share:				
Basic	\$ 1.37	\$ 1.32	\$ 2.68	\$ 2.55
Diluted	1.35	1.30	2.62	2.50

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)	Common stock	Retained earnings	Accumulated other comprehensive income (loss)	Deferred compensation	Total shareholders equity
Balance, December 31, 2005	\$ 2,156,732	\$ 2,179,885	\$ (83,043)	\$ (16,310)	\$ 4,237,264
Comprehensive income:					
Net income for the period		282,943			282,943
Other comprehensive loss, net of tax:					
Net realized and unrealized holding losses on investments and retained interests			(31,281)		
Foreign currency translation			543		
Reclassification for net realized gains on investments recorded in operations			(1,456)		
Net unrealized losses on derivative instruments			(33,090)		
Other comprehensive loss			(65,284)		(65,284)
Total comprehensive income					217,659
Stock redeemed and retired	(1,338)				(1,338)
Net stock options exercised	63,449				63,449
Reversal of deferred compensation, adoption of SFAS 123R	(11,111)			11,111	
Share-based compensation	10,979				10,979
Cash dividends common, \$.72 per share		(76,459)			(76,459)
Change in deferred compensation				(4,224)	(4,224)
Balance, June 30, 2006	\$ 2,218,711	\$ 2,386,369	\$ (148,327)	\$ (9,423)	\$ 4,447,330
Balance, December 31, 2004	\$ 972,065	\$ 1,830,064	\$ (7,932)	\$ (4,218)	\$ 2,789,979
Comprehensive income:					
Net income for the period		229,044			229,044
Other comprehensive loss, net of tax:					
Net realized and unrealized holding gains on investments and retained interests			2,790		
Foreign currency translation			(1,123)		
Reclassification for net realized gains on investments recorded in operations			(153)		
Net unrealized losses on derivative instruments			(6,487)		
Other comprehensive loss			(4,973)		(4,973)
Total comprehensive income					224,071
Stock redeemed and retired	(80,058)				(80,058)
Net stock options exercised and restricted stock issued	69,503				69,503
Cash dividends common, \$.72 per share		(65,093)			(65,093)
Change in deferred compensation				(494)	(494)

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Balance, June 30, 2005	<u>\$ 961,510</u>	<u>\$ 1,994,015</u>	<u>\$ (12,905)</u>	<u>\$ (4,712)</u>	<u>\$ 2,937,908</u>
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Total comprehensive income for the three months ended June 30, 2006 and 2005 was \$120,082 and \$156,629, respectively.

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
(In thousands)				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 145,310	\$ 118,810	\$ 282,943	\$ 229,044
Adjustments to reconcile net income to net cash provided by				
operating activities:				
Impairment losses on long lived assets			1,304	633
Provision for loan losses	17,022	11,417	31,534	20,800
Depreciation of premises and equipment	19,376	14,755	39,348	29,442
Amortization	12,967	9,195	25,007	17,055
Deferred income tax expense (benefit)	8,905	(10,525)	95	(19,675)
Share-based compensation	6,081	418	10,979	455
Excess tax benefits from share-based compensation	(7,863)		(13,045)	
Loss allocated to minority interest	(343)	(1,743)	(866)	(2,497)
Equity securities losses, net	1,764	2,778	1,214	4,165
Fixed income securities losses (gains), net	(5,156)	1,187	(5,407)	(146)
Net decrease in trading securities	81,278	21,387	30,916	7,988
Principal payments on and proceeds from sales of loans				
held for sale	333,884	248,032	613,007	459,323
Additions to loans held for sale	(263,367)	(259,207)	(590,059)	(459,492)
Net gains on sales of loans, leases and other assets	(8,247)	(9,840)	(17,125)	(21,364)
Net increase in cash surrender value of bank owned life				
insurance	(6,487)	(4,371)	(12,739)	(9,209)
Undistributed earnings of affiliates	(1,339)	(2,215)	(2,942)	(4,467)
Change in accrued income taxes	(58,740)	(58,113)	15,362	5,733
Change in accrued interest receivable	(14,904)	(12,941)	(9,993)	(4,650)
Change in other assets	(205,251)	59,046	(140,371)	1,273
Change in other liabilities	178,335	(14,341)	167,615	113,903
Change in accrued interest payable	(1,680)	(3,932)	12,383	2,199
Other, net	12,351	3,602	17,620	4,208
Net cash provided by operating activities	243,896	113,399	456,780	374,721
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net decrease (increase) in money market investments	(106,521)	(594)	91,111	(7,571)
Proceeds from maturities of investment securities held to maturity	23,662	18,201	60,642	55,450
Purchases of investment securities held to maturity	(18,873)	(32,243)	(50,276)	(63,539)
Proceeds from sales of investment securities available for sale	1,110,847	222,515	2,024,286	656,272
Proceeds from maturities of investment securities available for sale	489,888	513,732	1,148,528	966,872
Purchases of investment securities available for sale	(1,516,665)	(691,791)	(3,000,346)	(1,407,518)

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Proceeds from sales of loans and leases	82,553	120,323	141,970	219,095
Net increase in loans and leases	(1,720,493)	(983,796)	(2,762,339)	(1,433,255)
Net increase in other noninterest-bearing investments	(13,431)	(1,460)	(37,874)	(993)
Proceeds from sales of premises and equipment	2,699	518	4,855	1,988
Purchases of premises and equipment	(31,117)	(17,868)	(54,683)	(32,751)
Proceeds from sales of other real estate owned	20,351	5,509	24,908	10,552
Net cash paid for net liabilities on branches sold		(16,076)		(16,076)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	(1,677,100)	(863,030)	(2,409,218)	(1,051,474)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
(In thousands)				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase in deposits	\$ 381,502	\$ 543,297	\$ 611,802	\$ 1,130,124
Net change in short-term funds borrowed	1,262,756	399,943	1,522,389	13,710
Proceeds from FHLB advances and other borrowings over one year			150	
Payments on FHLB advances and other borrowings over one year	(593)	(556)	(101,188)	(1,113)
Proceeds from issuance of long-term debt	250,000		250,000	
Payments on long-term debt	(254,156)		(254,156)	
Proceeds from issuance of common stock	14,438	36,502	55,432	60,712
Payments to redeem common stock	(1,310)	(49,988)	(1,338)	(80,058)
Excess tax benefits from share-based compensation	7,863		13,045	
Dividends paid	(38,324)	(32,522)	(76,459)	(65,093)
Net cash provided by financing activities	1,622,176	896,676	2,019,677	1,058,282
Net increase in cash and due from banks	188,972	147,045	67,239	381,529
Cash and due from banks at beginning of period	1,584,857	1,085,482	1,706,590	850,998
Cash and due from banks at end of period	\$ 1,773,829	\$ 1,232,527	\$ 1,773,829	\$ 1,232,527
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for:				
Interest	\$ 251,212	\$ 129,485	\$ 451,620	\$ 228,034
Income taxes	143,415	133,675	150,570	134,033
Noncash items:				
Loans transferred to other real estate owned	9,584	6,250	17,851	10,494

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

June 30, 2006

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Zions Bancorporation (the Parent) and its majority-owned subsidiaries (collectively the Company, we, our, us) have been prepared in accordance with U.S. generally accepted accounting principles 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 generally accepted accounting principles 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. Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the three- and six-month periods ended June 30, 2006 are not necessarily indicative of the results that may be expected in future periods. The balance sheet at December 31, 2005 is from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Zions Bancorporation's Annual Report on Form 10-K for the year ended December 31, 2005.

The Company provides a full range of banking and related services through banking subsidiaries in ten states as follows: Zions First National Bank (Zions Bank), in Utah and Idaho; California Bank & Trust (CB&T); Amegy Corporation (Amegy), in Texas; National Bank of Arizona (NBA); 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). Amegy was acquired effective December 3, 2005 as discussed in Note 3. TCBO was opened in October 2005 and is not expected to have a material effect on consolidated operations for several years.

2. OTHER RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. FIN 48 prescribes that a tax position must meet a minimum more-likely-than-not threshold before it can be recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In addition, FIN 48 removes income taxes from the scope of Statement of Financial Accounting Standards (SFAS) No. 5, *Accounting for Contingencies*. FIN 48 is effective for fiscal years beginning after December 15, 2006, or January 1, 2007 for calendar year-end companies. Management is currently evaluating the impact this Interpretation may have on the Company's financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140*. This Statement amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to require evaluation of all interests in securitized financial assets under SFAS 133, eliminating a previous exemption under SFAS 133 for such financial instruments. Entities must now distinguish interests that are freestanding derivatives, hybrid financial instruments containing embedded derivatives requiring bifurcation, or hybrid financial instruments containing embedded derivatives that do not require bifurcation. In addition, the Statement permits fair value remeasurement for any hybrid instrument (on an instrument-by-instrument basis) that contains an embedded derivative that would otherwise require bifurcation. The Statement also amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, by eliminating the prohibition on a qualifying special-purpose entity (QSPE) from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140*. This Statement permits entities to choose to either subsequently measure recorded servicing rights at fair value and report changes in fair value in earnings, or amortize servicing rights in proportion to the estimated net servicing income or loss and assess the rights for impairment or the need for an increased obligation. In addition, the Statement, among other things, clarifies when a servicer should separately recognize servicing assets and liabilities, and requires initial fair value measurement, if practicable, of such recognized assets and liabilities.

In general, both Statements are effective as of the beginning of an entity's fiscal year after September 15, 2006, or January 1, 2007 for calendar year-end companies. Management is evaluating the impact these Statements may have on the Company's financial statements.

The Company's adoption of SFAS No. 123R, *Share-Based Payment*, is discussed in Note 6.

3. MERGER AND ACQUISITION ACTIVITY

Effective December 3, 2005, we acquired 100% of the outstanding stock of Amegy Bancorporation, Inc. headquartered in Houston, Texas. The tax-free merger included the formation of a new holding company, Amegy Corporation (Amegy), which became a wholly-owned subsidiary of the Company. The merger expands the Company's banking presence into Texas. Amegy's results of operations for the month of December 2005 and for the six months ended June 30, 2006 were included with the Company's results of operations.

Details of the merger, including the allocation of the purchase price, are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. The allocation of the purchase price is subject to change when the determination of Amegy's asset and liability values is finalized within one year from the merger date. As of June 30, 2006, the allocation had not changed from December 31, 2005.

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ZIONS BANCORPORATION AND SUBSIDIARIES

The following unaudited pro forma condensed combined financial information presents the Company's results of operations assuming the merger had taken place as of January 1, 2005. Also shown for comparative purposes are the historical results of operations for the Company without Amegy (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	June 30, 2005		June 30, 2005	
	Pro forma combined	Zions historical without Amegy	Pro forma combined	Zions historical without Amegy
Net interest income	\$ 388,636	\$ 330,928	\$ 761,037	\$ 645,879
Provision for loan losses	12,917	11,417	25,400	20,800
Noninterest income	137,279	105,932	268,729	208,830
Noninterest expense	315,683	242,046	623,783	481,283
Income before income taxes and minority interest	197,315	183,397	380,583	352,626
Net income	130,009	118,810	250,909	229,044
Net income per common share:				
Basic	\$ 1.25	\$ 1.32	\$ 2.41	\$ 2.55
Diluted	1.22	1.30	2.35	2.50
Weighted average shares outstanding during the period:				
Basic	104,198	89,846	104,213	89,861
Diluted	106,621	91,610	106,582	91,596

Merger related expenses for this merger of \$8.9 million and \$15.7 million for the three- and six-month periods ended June 30, 2006 consisted of systems integration and related charges of \$5.9 million and \$10.1 million, and severance and other employee-related costs of \$3.0 million and \$5.6 million, respectively.

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, Amegy accrued as of the date of merger approximately \$15.2 million of liabilities from purchase accounting adjustments for certain exit and termination costs. These costs consisted of employee-related costs of \$12.2 million and other exit costs of \$3.0 million. As of June 30, 2006, Amegy had paid approximately \$10.5 million of these costs.

4. LONG-TERM DEBT

On March 31, 2006, we filed an automatic shelf registration statement with the Securities and Exchange Commission (SEC) as a well-known seasoned issuer under their revised rules effective December 1, 2005 with respect to the registration, communications and offering processes under the Securities Act of 1933. The shelf registration replaced a previous shelf registration and covers securities of the Company, Zions Capital Trust C and Zions Capital Trust D.

On April 27, 2006, under the new shelf registration, we issued \$250 million of floating rate senior notes due April 15, 2008. The notes require quarterly interest payments at three-month LIBOR plus 0.12%. They are not redeemable prior to maturity and are not listed on any national securities exchange. Proceeds from the notes were used to retire all of the \$150 million of 2.70% senior notes due May 1, 2006 and all of the remaining \$104.2 million of 6.95% subordinated notes due May 15, 2011 and redeemable May 15, 2006.

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5. SHAREHOLDERS EQUITY

Changes in accumulated other comprehensive income (loss) are summarized as follows (*in thousands*):

	Net unrealized gains (losses) on investments, retained interests and other	Net unrealized losses on derivative instruments	Minimum pension liability	Total
Six Months Ended June 30, 2006:				
Balance, December 31, 2005	\$ (10,772)	\$ (50,264)	\$ (22,007)	\$ (83,043)
Other comprehensive loss, net of tax:				
Net realized and unrealized holding losses during the period, net of income tax benefit of \$19,376	(31,281)			(31,281)
Foreign currency translation	543			543
Reclassification for net realized gains recorded in operations, net of income tax expense of \$902	(1,456)			(1,456)
Net unrealized losses on derivative instruments, net of reclassification to operations of \$(11,252) and income tax benefit of \$21,988		(33,090)		(33,090)
Other comprehensive loss	(32,194)	(33,090)		(65,284)
Balance, June 30, 2006	\$ (42,966)	\$ (83,354)	\$ (22,007)	\$ (148,327)
Six Months Ended June 30, 2005:				
Balance, December 31, 2004	\$ 19,774	\$ (9,493)	\$ (18,213)	\$ (7,932)
Other comprehensive loss, net of tax:				
Net realized and unrealized holding gains during the period, net of income tax expense of \$1,728	2,790			2,790
Foreign currency translation	(1,123)			(1,123)
Reclassification for net realized gains recorded in operations, net of income tax expense of \$94	(153)			(153)
Net unrealized losses on derivative instruments, net of reclassification to operations of \$10,832 and income tax benefit of \$4,074		(6,487)		(6,487)
Other comprehensive income (loss)	1,514	(6,487)		(4,973)
Balance, June 30, 2005	\$ 21,288	\$ (15,980)	\$ (18,213)	\$ (12,905)

6. SHARE-BASED COMPENSATION

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We have a stock option and incentive plan which allows us to grant stock options and restricted stock to employees and nonemployee directors. The total shares authorized under the plan are 8,900,000 of which 6,604,869 shares are available for future grant as of June 30, 2006.

Prior to January 1, 2006, we accounted for share-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*, and related Interpretations, as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*. Accordingly, we did not record any compensation expense for stock options, as the exercise price of the option was equal to the quoted market price of the stock on the date of grant.

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Effective January 1, 2006, we adopted SFAS No. 123R, *Share-Based Payment*, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of income based on their fair values. This accounting utilizes a modified grant-date approach in which the fair value of an equity award is estimated on the grant date without regard to service or performance vesting conditions. We adopted SFAS 123R using the modified prospective transition method. Under this transition method, compensation expense is recognized beginning January 1, 2006 based on the requirements of SFAS 123R for all share-based payments granted after January 1, 2006, and based on the requirements of SFAS 123 for all awards granted to employees prior to January 1, 2006 that remain unvested as of that date. Results of operations for prior periods have not been restated.

The adoption of SFAS 123R, compared to the previous accounting for share-based compensation under APB 25, reduced the Company's income before income taxes and minority interest and net income along with the related basic and diluted per common share amounts as follows (*in thousands, except per share amounts*):

	June 30, 2006	
	Three Months	Six Months
	Ended	Ended
Reduction in:		
Income before income taxes and minority interest	\$ 4,147	\$ 8,066
Net income	2,756	5,570
Net income per common share:		
Basic	\$ 0.03	\$ 0.05
Diluted	0.03	0.05

As required by SFAS 123R, upon adoption, we reversed \$11.1 million of unearned compensation related to restricted stock from deferred compensation and common stock.

The impact on net income and net income per common share if we had applied the provisions of SFAS 123 to stock options for the three- and six-month periods ended June 30, 2005 was as follows (*in thousands, except per share amounts*):

	June 30, 2005	
	Three Months	Six Months
	Ended	Ended
Net income, as reported	\$ 118,810	\$ 229,044
Deduct: Total share-based compensation expense determined under fair value based method for stock options, net of related tax effects	(1,991)	(4,454)

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Pro forma net income	\$ 116,819	\$ 224,590
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Net income per common share:		
Basic as reported	\$ 1.32	\$ 2.55
Basic pro forma	1.30	2.50
<hr/>		
Diluted as reported	1.30	2.50
Diluted pro forma	1.28	2.45

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ZIONS BANCORPORATION AND SUBSIDIARIES

We classify all share-based awards as equity instruments and recognize the vesting of the awards ratably over their respective terms. As of June 30, 2006, compensation expense not yet recognized for nonvested share-based awards was approximately \$55.2 million, which is expected to be recognized over a weighted average period of 1.4 years.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation expense resulting from the exercise of share-based awards to be reported as a financing cash flow. For the three- and six month periods ended June 30, 2006, this requirement reduced net operating cash flows and increased net financing cash flows by approximately \$7.9 million and \$13.0 million, respectively.

Stock Options

Options granted to employees vest at the rate of one third each year and expire seven years after the date of grant. Options granted to non employee directors are exercisable in increments from six months to three and a half years and expire ten years after the date of grant.

In 2005, we discontinued our broad-based employee stock option plan under which options were made available to substantially all employees; however, existing options continue to vest at the rate of one third each year and expire four years after the date of grant.

For the three- and six-month periods ended June 30, 2006, the additional compensation expense of \$4.1 million and \$8.1 million, respectively, for stock options under SFAS 123R is included in salaries and employee benefits in the statements of income with the corresponding increase to shareholders' equity included in common stock. The related tax benefit recognized as a reduction of income tax expense was \$1.4 million and \$2.5 million, respectively, for the same periods.

During the three- and six-month periods ended June 30, 2006, the amount of cash received from the exercise of stock options was \$14.4 million and \$55.4 million, respectively, and the tax benefit realized as a reduction of income taxes payable was \$5.2 million and \$14.4 million, respectively. Of these amounts, \$3.0 million and \$6.4 million reduced goodwill for the tax benefit of vested share-based awards converted in the Amegy acquisition that were exercised during the three- and six-month periods, and \$2.2 million and \$8.0 million, respectively, were included in common stock as part of net stock options exercised.

Compensation expense was determined from the estimates of fair values of stock options granted using the Black-Scholes option-pricing model. The following significant assumptions were used for options granted during the three months ended June 30, 2006:

Weighted average of fair value for options granted	\$ 15.02
Weighted average assumptions used:	
Expected dividend yield	2.0%
Expected volatility	18.0%
Risk-free interest rate	4.96%

Expected life (in years)

4.1

No stock options were granted during the three months ended March 31, 2006. The methodology used to estimate the fair values of stock options is consistent with the estimates used for the pro forma presentation in periods prior to the adoption of SFAS 123R. The preceding assumptions reflect management's judgment and include consideration of historical experience. The risk-free interest rate is based on the U. S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

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ZIONS BANCORPORATION AND SUBSIDIARIES

The following summarizes our stock option activity for the six months ended June 30, 2006:

	Number of shares	Weighted average exercise price
Balance at December 31, 2005	7,497,566	\$ 52.79
Granted	977,024	81.14
Exercised	(1,155,141)	48.81
Expired	(24,671)	51.64
Forfeited	(59,339)	59.97
	<hr/>	
Balance at June 30, 2006	7,235,439	57.19
	<hr/>	
Outstanding options exercisable as of June 30, 2006	4,748,241	\$ 50.14

We issue new authorized shares for the exercise of stock options. During the three- and six-month periods ended June 30, 2006, the total intrinsic value of options exercised was approximately \$8.3 million and \$36.4 million, respectively.

Additional selected information on stock options at June 30, 2006 follows:

Exercise price range	Outstanding options			Exercisable options	
	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price
\$ 0.32 to \$ 19.99	96,878	\$ 12.03	1.1 (1)	96,878	\$ 12.03
\$ 20.00 to \$ 39.99	191,305	27.77	2.8	191,305	27.77
\$ 40.00 to \$ 44.99	1,429,342	42.22	3.0	1,430,146	42.22
\$ 45.00 to \$ 49.99	397,394	48.28	4.9	390,394	48.27
\$ 50.00 to \$ 54.99	1,113,240	53.72	2.9	1,108,356	53.72
\$ 55.00 to \$ 59.99	1,712,404	56.95	4.9	1,038,065	57.00
\$ 60.00 to \$ 64.99	211,605	61.51	3.1	87,742	61.90
\$ 65.00 to \$ 69.99	210,897	67.28	6.9	146,210	67.45
\$ 70.00 to \$ 74.99	781,474	70.86	6.0	257,437	70.88
\$ 75.00 to \$ 82.92	1,090,900	80.59	6.9	1,708	75.58
	<hr/>			<hr/>	
	7,235,439	57.19	4.5 (1)	4,748,241	50.14

- (1) The weighted average remaining contractual life excludes 35,023 stock options which expire between the date of termination and one year from the date of termination, depending upon certain circumstances.

For outstanding options at June 30, 2006, the aggregate intrinsic value was \$154.7 million. For exercisable options at June 30, 2006, the aggregate intrinsic value was \$133.1 million and the weighted average remaining contractual life was 3.9 years.

Restricted Stock

Restricted stock granted vests over four years. During the vesting period, the holder has full voting rights and receives dividend equivalents. For the three- and six-month periods ended June 30, 2006, compensation expense recognized for issuances of restricted stock and included in salaries and employee benefits in the

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ZIONS BANCORPORATION AND SUBSIDIARIES

statement of income was \$1.9 million and \$2.9 million, respectively. Amounts for the corresponding periods in 2005 were \$0.4 million and \$0.5 million, respectively. The corresponding increase to shareholders' equity was included in common stock. Compensation expense was determined based on the number of restricted shares granted and the market price of our common stock at the grant date.

The following summarizes our restricted stock activity for the six months ended June 30, 2006:

	Number of shares	Weighted average grant price
Nonvested restricted shares at December 31, 2005	203,983	\$ 68.99
Granted	279,625	80.16
Vested	(46,865)	70.98
Forfeited	(9,113)	72.44
Nonvested restricted shares at June 30, 2006	427,630	77.11

The total fair value of restricted stock vesting during the three- and six-month periods ended June 30, 2006 was \$3.3 million and \$3.4 million, respectively. Amounts for the corresponding periods in 2005 were not significant.

7. GUARANTEES

The following are guarantees issued by the Company (*in thousands*):

	June 30, 2006	December 31, 2005
Standby letters of credit:		
Financial	\$ 1,072,389	\$ 1,015,019
Performance	301,295	240,763
	\$ 1,373,684	\$ 1,255,782

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The Company's Annual Report on Form 10-K for the year ended December 31, 2005 contains further information on the nature of these letters of credit along with their terms and collateral requirements. At June 30, 2006, the carrying value recorded by the Company as a liability for these guarantees was \$4.8 million.

Certain mortgage loans sold have limited recourse provisions for periods ranging from three months to one year. The amount of losses resulting from the exercise of these provisions has not been significant.

As of June 30, 2006, the Parent has guaranteed approximately \$476.1 million of debt issued by affiliated trusts issuing trust preferred securities. The trusts and related trust preferred securities are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Zions Bank provides a liquidity facility (Liquidity Facility) for a fee to Lockhart Funding, LLC (Lockhart), a QSPE securities conduit. Lockhart purchases floating rate U.S. Government and AAA-rated securities with funds from the issuance of commercial paper. Zions Bank also provides interest rate hedging support and administrative and investment advisory services for a fee. Pursuant to the Liquidity Facility contract, Zions Bank is required to purchase securities from Lockhart to provide funds for Lockhart to repay maturing commercial paper upon Lockhart's inability to access the commercial paper market, or upon a commercial paper market disruption as specified in governing documents for Lockhart. Pursuant to the

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governing documents, including the liquidity agreement, if any security in Lockhart is downgraded below AA-, Zions Bank must either 1) place its letter of credit on the security, 2) obtain credit enhancement from a third party, or 3) purchase the security from Lockhart at book value. At any given time, the maximum commitment of Zions Bank is the book value of Lockhart's securities portfolio, which is not allowed to exceed the size of the Liquidity Facility commitment. At June 30, 2006, the book value of Lockhart's securities portfolio was \$5.0 billion, which approximated market value, and the size of the Liquidity Facility commitment was \$6.12 billion. No amounts were outstanding under the Liquidity Facility at June 30, 2006.

The FASB continues to deliberate other projects that propose to amend SFAS 140 in addition to those discussed in Note 2. These include isolation of transferred assets and permitted activities of QSPEs. The proposed amendments, among other things, may require changes to the operating activities of QSPEs and other aspects relating to the transfer of financial assets. Subject to the requirements of any final standards when they are issued, Lockhart's operations may need to be modified to preserve its off-balance sheet status.

8. RETIREMENT PLANS

The following disclosures are required for interim financial statements by SFAS No. 132R, *Employers' Disclosures about Pensions and Other Postretirement Benefits* (in thousands):

	Pension benefits		Postretirement benefits		Pension benefits		Postretirement benefits	
	Three Months Ended June 30,				Six Months Ended June 30,			
	2006	2005	2006	2005	2006	2005	2006	2005
Service cost	\$ 129	\$ 133	\$ 32	\$ 29	\$ 258	\$ 286	\$ 64	\$ 60
Interest cost	2,148	1,990	86	86	4,300	4,269	172	175
Expected return on plan assets	(2,588)	(2,428)			(5,180)	(5,209)		
Amortization of net actuarial (gain) loss	491	336	(67)	(86)	983	720	(134)	(175)
Net periodic benefit cost	\$ 180	\$ 31	\$ 51	\$ 29	\$ 361	\$ 66	\$ 102	\$ 60

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, we expect to contribute \$634 thousand in 2006 to meet estimated benefit payments to participants in our postretirement health and welfare plan. As of June 30, 2006, we have contributed \$317 thousand of this amount and expect to contribute the remaining portion during the rest of 2006. We do not expect to make any contributions to the pension plan in 2006 and have not done so as of June 30, 2006. As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, participation and benefit accruals for the pension plan were frozen effective January 1, 2003.

9. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of June 30, 2006, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 112 branches in Utah and 24 in Idaho. CB&T operates 91 branches in California. Amegy operates 77 branches in Texas. NBA operates 53 branches in Arizona. NSB operates 72 branches in Nevada. Vectra operates 38 branches in Colorado and one branch in New Mexico. TCBW operates one branch in the state of Washington. TCBO operates one branch in Oregon. The operating segment identified as Other includes the Parent, certain nonbank financial service and financial technology subsidiaries, other smaller nonbank operating units, TCBO, and eliminations of transactions between segments. Results for Amegy only include the three- and six month periods ended June 30, 2006.

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ZIONS BANCORPORATION AND SUBSIDIARIES

The accounting policies of the individual operating segments are the same as those of the Company. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations. Operating segments pay for centrally provided services based upon estimated or actual usage of those services.

The following table presents selected operating segment information for the three months ended June 30, 2006 and 2005:

(In millions)	Zions Bank		CB&T		Amegy		NBA		NSB	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CONDENSED INCOME STATEMENT										
Net interest income excluding hedge income	\$ 114.2	\$ 102.2	\$ 119.3	\$ 110.3	\$ 76.2		\$ 54.0	\$ 44.9	\$ 51.0	\$ 40.3
Hedge income recorded directly at subsidiary	(0.6)	0.8	(1.0)	0.9	(0.2)		(0.7)	0.5	(0.9)	0.4
Allocated hedge income	0.1	(0.1)								
Net interest income	113.7	102.9	118.3	111.2	76.0		53.3	45.4	50.1	40.7
Provision for loan losses	8.0	6.9	4.0	1.0	0.3		1.8	2.1	2.4	0.5
Net interest income after provision for loan losses	105.7	96.0	114.3	110.2	75.7		51.5	43.3	47.7	40.2
Noninterest income	62.5	68.1	20.0	18.8	28.3		6.1	4.9	7.5	7.8
Noninterest expense	103.5	95.3	62.0	60.8	72.7		26.5	24.8	28.0	26.4
Income before income taxes and minority interest	64.7	68.8	72.3	68.2	31.3		31.1	23.4	27.2	21.6
Income tax expense (benefit)	21.5	23.4	29.3	27.6	9.8		12.3	9.2	9.4	7.4
Minority interest	(0.1)									
Net income (loss)	\$ 43.3	\$ 45.4	\$ 43.0	\$ 40.6	\$ 21.5		\$ 18.8	\$ 14.2	\$ 17.8	\$ 14.2
AVERAGE BALANCE SHEET DATA										
Assets	\$ 13,734	\$ 12,418	\$ 11,109	\$ 10,108	\$ 9,123		\$ 4,380	\$ 3,804	\$ 3,935	\$ 3,479
Net loans and leases	9,182	8,294	8,028	7,127	5,575		3,858	3,293	3,169	2,678
Deposits	9,682	8,309	8,387	8,418	6,414		3,524	3,223	3,280	3,028
Shareholder's equity	857	772	1,114	1,038	1,793		309	278	248	224
CONDENSED INCOME STATEMENT										
Net interest income excluding hedge income	\$ 25.2	\$ 21.8	\$ 8.5	\$ 7.4	\$ (6.1)	\$ 0.4	\$ 442.3	\$ 327.3		

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Hedge income recorded directly at subsidiary	(1.4)	0.5	(0.5)		(0.7)	0.5	(6.0)	3.6
Allocated hedge income	(0.1)	0.1						
Net interest income	23.7	22.4	8.0	7.4	(6.8)	0.9	436.3	330.9
Provision for loan losses	0.6	0.6	(0.2)	0.3	0.1		17.0	11.4
Net interest income after provision for loan losses	23.1	21.8	8.2	7.1	(6.9)	0.9	419.3	319.5
Noninterest income	5.9	6.8	0.5	0.4	7.0	(0.9)	137.8	105.9
Noninterest expense	21.6	21.5	3.4	3.1	15.6	10.2	333.3	242.1
Income before income taxes and minority interest	7.4	7.1	5.3	4.4	(15.5)	(10.2)	223.8	183.3
Income tax expense (benefit)	2.7	2.5	1.8	1.3	(8.0)	(5.1)	78.8	66.3
Minority interest					(0.2)	(1.8)	(0.3)	(1.8)
Net income (loss)	\$ 4.7	\$ 4.6	\$ 3.5	\$ 3.1	\$ (7.3)	\$ (3.3)	\$ 145.3	\$ 118.8

AVERAGE BALANCE SHEET DATA

Assets	\$ 2,329	\$ 2,296	\$ 794	\$ 777	\$ (1,621)	\$ (371)	\$ 43,783	\$ 32,511
Net loans and leases	1,600	1,480	412	369	76	90	31,900	23,331
Deposits	1,627	1,565	459	424	(1,198)	(1,179)	32,175	23,788
Shareholder s equity	296	318	52	50	(254)	197	4,415	2,877

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The following table presents selected operating segment information for the six months ended June 30, 2006 and 2005:

(In millions)	Zions Bank		CB&T		Amegy		NBA		NSB	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CONDENSED INCOME STATEMENT										
Net interest income excluding hedge income	\$ 222.0	\$ 196.5	\$ 239.7	\$ 217.6	\$ 150.4		\$ 105.7	\$ 86.5	\$ 98.1	\$ 79.2
Hedge income recorded directly at subsidiary	(1.0)	2.9	(3.7)	2.9			(0.8)	0.9	(1.2)	0.9
Allocated hedge income	0.1	(1.2)						0.3		0.1
Net interest income	221.1	198.2	236.0	220.5	150.4		104.9	87.7	96.9	80.2
Provision for loan losses	13.9	13.7	6.5	2.5	2.3		2.6	2.9	4.9	0.5
Net interest income after provision for loan losses	207.2	184.5	229.5	218.0	148.1		102.3	84.8	92.0	79.7
Noninterest income	124.3	131.4	38.3	37.6	55.9		12.0	10.5	14.8	15.7
Noninterest expense	201.3	188.0	124.0	123.3	140.2		51.5	47.7	55.2	51.1
Income before income taxes and minority interest	130.2	127.9	143.8	132.3	63.8		62.8	47.6	51.6	44.3
Income tax expense (benefit)	43.7	42.1	58.4	53.4	19.8		24.8	19.0	17.9	15.3
Minority interest	(0.1)	(0.1)								
Net income (loss)	\$ 86.6	\$ 85.9	\$ 85.4	\$ 78.9	\$ 44.0		\$ 38.0	\$ 28.6	\$ 33.7	\$ 29.0
AVERAGE BALANCE SHEET DATA										
Assets	\$ 13,330	\$ 12,301	\$ 10,994	\$ 10,129	\$ 9,170		\$ 4,307	\$ 3,726	\$ 3,815	\$ 3,429
Net loans and leases	8,931	8,134	7,899	7,109	5,488		3,791	3,212	3,034	2,622
Deposits	9,509	8,190	8,461	8,360	6,515		3,550	3,171	3,236	2,992
Shareholder's equity	844	761	1,103	1,042	1,786		306	274	244	225

Consolidated

(In millions)	Vectra		TCBW		Other		Company	
	2006	2005	2006	2005	2006	2005	2006	2005
CONDENSED INCOME STATEMENT								
Net interest income excluding hedge income	\$ 49.2	\$ 42.1	\$ 17.5	\$ 14.0	\$ (12.2)	\$ (0.8)	\$ 870.4	\$ 635.1
Hedge income recorded directly at subsidiary	(2.3)	1.6	(0.8)	0.2	(1.5)	1.4	(11.3)	10.8
Allocated hedge income	(0.1)	0.6		0.2				
Net interest income	46.8	44.3	16.7	14.4	(13.7)	0.6	859.1	645.9

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Provision for loan losses	0.8	0.6	0.4	0.6	0.1		31.5	20.8
Net interest income after provision for loan losses	46.0	43.7	16.3	13.8	(13.8)	0.6	827.6	625.1
Noninterest income	12.7	13.5	0.9	0.8	7.3	(0.7)	266.2	208.8
Noninterest expense	43.1	43.3	6.8	6.2	35.6	21.7	657.7	481.3
Income before income taxes and minority interest	15.6	13.9	10.4	8.4	(42.1)	(21.8)	436.1	352.6
Income tax expense (benefit)	5.7	4.9	3.4	2.6	(19.6)	(11.2)	154.1	126.1
Minority interest					(0.8)	(2.4)	(0.9)	(2.5)
Net income (loss)	\$ 9.9	\$ 9.0	\$ 7.0	\$ 5.8	\$ (21.7)	\$ (8.2)	\$ 282.9	\$ 229.0

AVERAGE BALANCE SHEET DATA

Assets	\$ 2,305	\$ 2,291	\$ 794	\$ 751	\$ (1,497)	\$ (444)	\$ 43,218	\$ 32,183
Net loans and leases	1,568	1,464	405	372	72	92	31,188	23,005
Deposits	1,607	1,565	454	423	(1,232)	(1,194)	32,100	23,507
Shareholder s equity	298	320	51	50	(264)	179	4,368	2,851

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ZIONS BANCORPORATION AND SUBSIDIARIES

ITEM 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

FINANCIAL HIGHLIGHTS

(Unaudited)

(In thousands, except per share and ratio data)	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2006	2005	% Change	2006	2005	% Change
EARNINGS						
Taxable-equivalent net interest income	\$ 442,261	\$ 336,088	31.59 %	\$ 871,085	\$ 656,208	32.75 %
Taxable-equivalent revenue	580,020	442,020	31.22 %	1,1		