

ZIONS BANCORPORATION /UT/
Form 10-Q
November 07, 2016

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 September 30, 2016

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

(Address of principal executive offices) (Zip Code)

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 October 31, 2016 203,718,022 shares

ZIONS BANCORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Unaudited)

ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)	September 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	\$ 553,152	\$ 798,319
Money market investments:		
Interest-bearing deposits	1,489,134	6,108,124
Federal funds sold and security resell agreements	1,675,645	619,758
Investment securities:		
Held-to-maturity, at amortized cost (approximate fair value \$717,822 and \$552,088)	715,279	545,648
Available-for-sale, at fair value	10,358,083	7,643,116
Trading account, at fair value	108,004	48,168
	11,181,366	8,236,932
Loans held for sale	160,287	149,880
Loans and leases, net of unearned income and fees	42,539,720	40,649,542
Less allowance for loan losses	597,185	606,048
Loans held for investment, net of allowance	41,942,535	40,043,494
Other noninterest-bearing investments	894,110	848,144
Premises, equipment and software, net	986,553	905,462
Goodwill	1,014,129	1,014,129
Core deposit and other intangibles	10,329	16,272
Other real estate owned	8,358	7,092
Other assets	1,123,262	916,937
	\$ 61,038,860	\$ 59,664,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 22,710,778	\$ 22,276,664
Interest-bearing:		
Savings and money market	25,502,628	25,672,356
Time	2,516,493	2,130,680
Foreign	118,762	294,391
	50,848,661	50,374,091
Federal funds and other short-term borrowings	1,115,561	346,987
Long-term debt	570,385	812,366
Reserve for unfunded lending commitments	61,615	74,838
Other liabilities	763,331	548,742
Total liabilities	53,359,553	52,157,024
Shareholders' equity:		
Preferred stock, without par value, authorized 4,400,000 shares	709,601	828,490
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 203,850,072 and 204,417,093 shares	4,747,912	4,766,731
Retained earnings	2,211,793	1,966,910
Accumulated other comprehensive income (loss)	10,001	(54,612)
Total shareholders' equity	7,679,307	7,507,519

\$ 61,038,860 \$ 59,664,543

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		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Interest income:				
Interest and fees on loans	\$436,424	\$419,981	\$1,290,675	\$1,256,378
Interest on money market investments	4,934	6,018	17,527	17,021
Interest on securities	49,337	30,231	144,346	86,513
Total interest income	490,695	456,230	1,452,548	1,359,912
Interest expense:				
Interest on deposits	12,549	12,542	36,263	36,967
Interest on short- and long-term borrowings	8,959	18,311	29,407	56,518
Total interest expense	21,508	30,853	65,670	93,485
Net interest income	469,187	425,377	1,386,878	1,266,427
Provision for loan losses	18,825	18,262	95,462	17,334
Net interest income after provision for loan losses	450,362	407,115	1,291,416	1,249,093
Noninterest income:				
Service charges and fees on deposit accounts	44,490	43,196	127,859	126,006
Other service charges, commissions and fees	54,141	47,968	155,521	137,572
Wealth management income	9,973	7,496	26,715	23,271
Loan sales and servicing income	11,301	7,728	29,458	23,816
Capital markets and foreign exchange	5,726	6,624	15,938	19,400
Dividends and other investment income	9,045	8,449	19,910	27,164
Fair value and nonhedge derivative loss	(184)	(1,555)	(4,679)	(799)
Equity securities gains, net	8,441	3,630	10,600	11,822
Fixed income securities gains (losses), net	39	(53)	92	(138,728)
Other	1,915	2,461	5,951	9,076
Total noninterest income	144,887	125,944	387,365	238,600
Noninterest expense:				
Salaries and employee benefits	242,251	242,023	741,930	736,675
Occupancy, net	33,536	29,477	92,936	88,911
Furniture, equipment and software, net	29,090	30,416	91,655	91,376
Other real estate expense, net	(137)	(40)	(1,993)	(111)
Credit-related expense	6,825	6,914	18,604	20,959
Provision for unfunded lending commitments	(3,165)	1,428	(13,223)	313
Professional and legal services	14,473	12,699	38,173	37,292
Advertising	5,985	6,136	16,881	19,622
FDIC premiums	11,673	8,500	28,407	25,228
Amortization of core deposit and other intangibles	1,951	2,298	5,944	6,974
Debt extinguishment cost	—	—	353	2,395
Other	60,810	51,429	161,092	153,620
Total noninterest expense	403,292	391,280	1,180,759	1,183,254
Income before income taxes	191,957	141,779	498,022	304,439
Income taxes	64,694	40,780	166,373	97,455
Net income	127,263	100,999	331,649	206,984
Dividends on preferred stock	(10,368)	(16,761)	(35,571)	(48,567)

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Preferred stock redemption	—	—	(9,759) —
Net earnings applicable to common shareholders	\$ 116,895	\$ 84,238	\$ 286,319	\$ 158,417
Weighted average common shares outstanding during the period:				
Basic shares	204,312	203,668	204,180	203,057
Diluted shares	204,714	204,155	204,425	203,511
Net earnings per common share:				
Basic	\$0.57	\$0.41	\$ 1.39	\$0.77
Diluted	0.57	0.41	1.39	0.77
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		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Net income for the period	\$127,263	\$100,999	\$331,649	\$206,984
Other comprehensive income (loss), net of tax:				
Net unrealized holding gains (losses) on investment securities	(10,711)	11,268	54,316	4,460
Reclassification of held-to-maturity securities to available-for-sale securities	—	—	—	10,938
Reclassification to earnings for realized net fixed income securities losses (gains)	(24)	33	(57)	85,845
Net unrealized gains (losses) on other noninterest-bearing investments	2,158	(1,881)	2,022	94
Net unrealized holding gains (losses) on derivative instruments	(3,336)	10,607	14,415	12,941
Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments	(1,738)	(1,830)	(5,418)	(3,212)
Pension and postretirement	—	—	(665)	—
Other comprehensive income (loss)	(13,651)	18,197	64,613	111,066
Comprehensive income	\$113,612	\$119,196	\$396,262	\$318,050
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 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, 2015	\$ 828,490	204,417,093	\$ 4,766,731	\$ 1,966,910	\$ (54,612)	\$ 7,507,519
Net income for the period				331,649		331,649
Other comprehensive income, net of tax					64,613	64,613
Preferred stock redemption	(118,889)		2,504	(9,759)		(126,144)
Common stock redeemed and retired		(1,468,800)	(45,029)			(45,029)
Net activity under employee plans and related tax benefits		901,779	23,706			23,706
Dividends on preferred stock				(35,571)		(35,571)
Dividends on common stock, \$0.20 per share				(41,298)		(41,298)
Change in deferred compensation				(138)		(138)
Balance at September 30, 2016	\$ 709,601	203,850,072	\$ 4,747,912	\$ 2,211,793	\$ 10,001	\$ 7,679,307
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				206,984		206,984
Other comprehensive income, net of tax					111,066	111,066
Subordinated debt converted to preferred stock	148		(44)			104
Net activity under employee plans and related tax benefits		1,263,691	32,477			32,477
Dividends on preferred stock				(48,567)		(48,567)
Dividends on common stock, \$0.16 per share				(32,785)		(32,785)
Change in deferred compensation				(714)		(714)
Balance at September 30, 2015	\$ 1,004,159	204,278,594	\$ 4,756,288	\$ 1,894,623	\$ (16,975)	\$ 7,638,095

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	\$ 127,263	\$ 100,999	\$ 331,649	\$ 206,984
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for credit losses	15,660	19,690	82,239	17,647
Depreciation and amortization	49,858	40,281	135,891	109,563
Fixed income securities losses (gains), net	(39)	53	(92)	138,728
Deferred income tax expense (benefit)	1,976	(10,027)	(8,813)	(51,056)
Net decrease (increase) in trading securities	10,771	970	(59,836)	(2,950)
Net decrease (increase) in loans held for sale	(12,447)	23,314	(9,190)	3,263
Change in other liabilities	53,051	21,525	215,688	(14,738)
Change in other assets	(4,477)	31,178	(222,378)	(1,991)
Other, net	(13,337)	(15,461)	(2,313)	(19,080)
Net cash provided by operating activities	228,279	212,522	462,845	386,370
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in money market investments	(389,351)	1,181,378	3,563,103	680,209
Proceeds from maturities and paydowns of investment securities held-to-maturity	33,312	26,875	65,763	87,785
Purchases of investment securities held-to-maturity	(35,206)	(142)	(235,508)	(24,203)
Proceeds from sales, maturities, and paydowns of investment securities available-for-sale	683,330	385,584	3,256,912	1,365,851
Purchases of investment securities available-for-sale	(1,606,852)	(1,728,939)	(5,973,805)	(3,486,509)
Loans purchased	—	—	(104,066)	—
Net change in loans held for investment	(73,217)	(122,868)	(1,900,132)	(74,974)
Purchases of premises, equipment and software	(51,307)	(38,747)	(143,181)	(106,115)
Proceeds from sales of other real estate owned	6,405	8,019	15,146	16,592
Other, net	(23,654)	17,610	(23,394)	46,935
Net cash used in investing activities	(1,456,540)	(271,230)	(1,479,162)	(1,494,429)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	576,129	(16,977)	496,528	1,072,072
Net change in short-term funds borrowed	845,306	45,267	768,574	28,168
Cash paid for preferred stock redemption	—	—	(126,144)	—
Repayments of long-term debt	(128,910)	(111,477)	(243,993)	(164,082)
Proceeds from the issuance of common stock	4,661	13,599	8,147	19,631
Dividends paid on common and preferred stock	(30,891)	(27,420)	(81,107)	(79,699)
Repurchases of company common stock through buyback program	(45,029)	—	(45,029)	—
Other, net	(115)	172	(5,826)	(7,279)
Net cash provided by (used in) financing activities	1,221,151	(96,836)	771,150	868,811
Net decrease in cash and due from banks	(7,110)	(155,544)	(245,167)	(239,248)
Cash and due from banks at beginning of period	560,262	758,238	798,319	841,942

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Cash and due from banks at end of period	\$553,152	\$602,694	\$553,152	\$602,694
Cash paid for interest	\$18,243	\$22,162	\$61,295	\$73,219
Net cash paid for income taxes	52,510	8,679	153,938	100,505
See accompanying notes to consolidated financial statements.				

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ZIONS BANCORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

September 30, 2016

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”). Changes to the ASC are made with Accounting Standards Updates (“ASU”) that include consensus issues of the Emerging Issues Task Force (“EITF”). In certain cases, ASUs are issued jointly with International Financial Reporting Standards (“IFRS”).

Operating results for the three and nine months ended September 30, 2016 and 2015 are not necessarily indicative of the results that may be expected in future periods. In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated balance sheet at December 31, 2015 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 2015 Annual Report on Form 10-K. Certain prior period amounts have been reclassified to conform with the current period presentation. These reclassifications did not affect net income or shareholders’ equity.

Zions Bancorporation is a financial holding company headquartered in Salt Lake City, Utah, and with its subsidiaries, provides a full range of banking and related services. Following the close of business on December 31, 2015, the Company completed the merger of its subsidiary banks and other subsidiaries into a single bank, ZB, N.A. The Company continues to manage its banking operations through seven separately managed and branded segments in 11 Western and Southwestern states as follows: Zions Bank, in Utah, Idaho and Wyoming; Amegy Bank (“Amegy”), in Texas; California Bank & Trust (“CB&T”); National Bank of Arizona (“NBAZ”); Nevada State Bank (“NSB”); Vectra Bank Colorado (“Vectra”), in Colorado and New Mexico; and The Commerce Bank of Washington (“TCBW”), in Washington and Oregon. Pursuant to a Board resolution adopted November 21, 2014, The Commerce Bank of Oregon merged into TCBW following the close of business on March 31, 2015.

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ZIONS BANCORPORATION AND SUBSIDIARIES

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 2016-09, Stock Compensation (Topic 718): Improvements to Share-Based Payment Accounting	The standard requires entities to recognize the income tax effects of share-based payment awards in the income statement when the awards vest or are settled (i.e. the additional paid-in capital pools will be eliminated). The guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing. The standard also provides an entity the option to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur.	January 1, 2017	We do not expect this guidance will have a material impact on the Company's financial statements.
ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The standard provides revised accounting guidance related to the accounting for and reporting of financial instruments. Some of the main provisions include: – Equity investments that do not result in consolidation and are not accounted for under the equity method would be measured at fair value through net income, unless they qualify for the proposed practicability exception for investments that do not have readily determinable fair values. – Changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option would be recognized in other comprehensive income. – Elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. However it will require the use of exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes.	January 1, 2018	We do not currently expect this guidance will have a material impact on the Company's financial statements.
ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and subsequent related ASUs	The core principle of the new guidance 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, these new standards affect other fees charged by banks, such as asset management fees,	January 1, 2018	While we currently do not expect these standards will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.

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.

The standard requires that a lessee recognize assets and liabilities for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease.

ASU 2016-02, Leases (Topic 842)

However, the standard will require both types of leases to be recognized on the balance sheet. It also requires disclosures to better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements.

January 1, 2019

We are currently evaluating the potential impact of this guidance on the Company's financial statements.

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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 2016-13, Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The standard significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces today's "incurred loss" approach with an "expected loss" model for instruments such as loans and held-to-maturity securities that are measured at amortized cost. The standard requires credit losses relating to available-for-sale debt securities to be recorded through an allowance for credit losses rather than a reduction of the carrying amount. It also changes the accounting for purchased credit-impaired debt securities and loans. The standard retains many of the current disclosure requirements in current GAAP and expands certain disclosure requirements. Early adoption of the guidance is permitted as of January 1, 2019.	January 1, 2020	While we expect this standard will have a material impact on the Company's financial statements, we are still in process of conducting our evaluation.
Standards adopted by the Company			
ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis	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 for 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.	January 1, 2016	We currently do not consolidate any VIEs and our adoption of this standard did not have a material impact on the Company's financial statements.
ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	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 liability, consistent with debt discounts. Adoption is retrospective.	January 1, 2016	Our adoption of this standard did not have a material impact on the accompanying financial statements.
ASU 2015-05, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees	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.	January 1, 2016	We adopted this standard on a prospective basis and it did not have a material impact on the accompanying financial statements.

Paid in a Cloud
Computing
Arrangement

ASU 2015-07, Fair
Value Measurement
(Topic 820):
Disclosures for
Investments in Certain
Entities That
Calculate Net Asset
Value per Share (or its
Equivalent)

The guidance eliminates the current requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value (“NAV”) using the practical expedient in ASC 820. Fair value disclosure of these investments will be made to facilitate reconciliation to amounts reported on the balance sheet. Other related disclosures will continue when the NAV practical expedient is used. Adoption is retrospective.

January
1, 2016

Our adoption of this standard did not have a material impact on the accompanying financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

3. SUPPLEMENTAL CASH FLOW INFORMATION

Noncash activities are summarized as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
Loans held for investment transferred to other real estate owned	\$6,167	\$3,446	\$13,483	\$10,098
Loans held for sale reclassified to (from) loans held for investment, net	(40,017)	22,299	(36,129)	33,042
Adjusted 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:

September 30, 2016

(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		
					Financial instruments	Cash collateral received/pledged	Net amount
Assets:							
	Federal funds sold and security resell agreements	\$1,675,645	\$ —	—\$1,675,645	\$ —		\$1,675,645
	Derivatives (included in other assets)	129,065	—	129,065	(20,419)	(83)	108,563
		\$1,804,710	\$ —	—\$1,804,710	\$(20,419)	\$ (83)	\$1,784,208
Liabilities:							
	Federal funds and other short-term borrowings	\$1,115,561	\$ —	—\$1,115,561	\$ —		\$1,115,561
	Derivatives (included in other liabilities)	111,929	—	111,929	(20,419)	(86,478)	5,032
		\$1,227,490	\$ —	—\$1,227,490	\$(20,419)	\$ (86,478)	\$1,120,593

December 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		
					Financial instruments	Cash collateral received/pledged	Net amount
Assets:							
	Federal funds sold and security resell agreements	\$619,758	\$ —	—\$619,758	\$ —		\$619,758
	Derivatives (included in other assets)	77,638	—	77,638	(6,990)	—	70,648
		\$697,396	\$ —	—\$697,396	\$(6,990)	\$ —	\$690,406

Liabilities:

Federal funds and other short-term borrowings	\$346,987	\$	—\$346,987	\$—	\$	—	\$346,987
Derivatives (included in other liabilities)	72,568	—	72,568	(6,990)	(60,923) 4,655
	\$419,555	\$	—\$419,555	\$(6,990)	\$	(60,923) \$351,642

Security repurchase and reverse repurchase (“resell”) 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.

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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)	September 30, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	\$715,279	\$ 11,220	\$ 8,677	\$717,822
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,834,034	23,104	687	1,856,451
Agency guaranteed mortgage-backed securities	5,438,880	42,437	7,028	5,474,289
Small Business Administration loan-backed securities	2,192,844	9,674	16,105	2,186,413
Municipal securities	768,875	10,575	1,205	778,245
Other debt securities	25,380	135	2,546	22,969
	10,260,013	85,925	27,571	10,318,367
Money market mutual funds and other	39,607	109	—	39,716
	10,299,620	86,034	27,571	10,358,083
Total	\$11,014,899	\$ 97,254	\$ 36,248	\$11,075,905
	December 31, 2015			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity				
Municipal securities	\$545,648	\$ 11,218	\$ 4,778	\$552,088
Available-for-sale				
U.S. Government agencies and corporations:				
Agency securities	1,231,740	4,313	2,658	1,233,395
Agency guaranteed mortgage-backed securities	3,964,593	7,919	36,037	3,936,475
Small Business Administration loan-backed securities	1,932,817	12,602	14,445	1,930,974
Municipal securities	417,374	2,177	856	418,695
Other debt securities	25,454	152	2,665	22,941
	7,571,978	27,163	56,661	7,542,480
Money market mutual funds and other	100,612	61	37	100,636
	7,672,590	27,224	56,698	7,643,116
Total	\$8,218,238	\$ 38,442	\$ 61,476	\$8,195,204

CDO Sales and Paydowns

During the second quarter of 2015, we sold the remaining portfolio of our collateralized debt obligation (“CDO”) securities, or \$574 million at amortized cost, and realized net losses of approximately \$137 million. During the first quarter of 2015, we reclassified all of the remaining held-to-maturity (“HTM”) CDO securities, or approximately \$79 million at amortized cost, to Available-for-Sale (“AFS”) securities. The reclassification resulted from increased risk weights for these securities under the new Basel III capital rules, and was made in accordance with applicable accounting guidance that allows for such reclassifications when increased risk weights of debt securities must be used for regulatory risk-based capital purposes. No gain or loss was recognized in the statement of income at the time of reclassification.

Maturities

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of September 30, 2016 by expected timing of principal payments. Actual principal payments may differ from contractual or expected principal payments because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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ZIONS BANCORPORATION AND SUBSIDIARIES

(In thousands)	Held-to-maturity		Available-for-sale	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Principal return in one year or less	\$71,532	\$71,842	\$1,379,980	\$1,388,748
Principal return after one year through five years	266,665	269,636	4,161,930	4,184,444
Principal return after five years through ten years	219,770	223,701	3,010,430	3,034,823
Principal return after ten years	157,312	152,643	1,707,673	1,710,352
	\$715,279	\$717,822	\$10,260,013	\$10,318,367

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:

September 30, 2016						
(In thousands)	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	\$7,911	\$261,162	\$766	\$11,845	\$8,677	\$273,007
Available-for-sale						