ZIONS BANCORPORATION /UT/
Form 10-Q/A
February 11, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

COMMISSION FILE NUMBER 001-12307

ZIONS BANCORPORATION

(Exact name of registrant as specified in its charter)

UTAH	**87-0227400**
(State or other jurisdiction	**(I.R.S. Employer**
of incorporation or organization)	**Identification No.)**
ONE SOUTH MAIN, 15TH FLOOR	
SALT LAKE CITY, UTAH	**84133**
(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 x 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 x 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 x

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, 2009	138,209,896 shares

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EXPLANATORY NOTE

Zions Bancorporation (the Company, Zions, we, our) is filing this Amendment No. 1 on Form 10-Q/A to amend its Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 that was originally filed with the Securities and Exchange Commission on November 9, 2009. As disclosed in our Form 8-K filing dated January 25, 2010, we are filing this Amendment No. 1 to reflect the change in our accounting treatment during the second quarter of 2009 for the subordinated debt modification described in Note 7 in the Notes to Consolidated Financial Statements. We have reevaluated our accounting for this transaction and have considered the effects of the adjustments from the second quarter of 2009 on the third quarter of 2009. Based on our review, we have revised as appropriate the consolidated financial statements and notes to consolidated financial statements as of and for the three and nine months ended September 30, 2009. We have also revised the related Management s Discussion and Analysis of Financial Condition and Results of Operations. These revisions are included in this Amendment No. 1.

The revised calculations relate to increases to the gain on subordinated debt modification recognized during the second quarter of 2009 in the statements of income, and to the intrinsic value of the beneficial conversion feature of the modified subordinated debt recorded directly in common stock within shareholders equity. The Company has no par common stock and all additional paid-in capital transactions are recorded in common stock. The effect of the 2009 second quarter revised calculations was to increase the net loss applicable to common shareholders by $2.4 million from $179.5 million to $181.9 million for the three months ended September 30, 2009. This was primarily due to increased accretion of the debt discount during the three months ended September 30, 2009. In addition, at September 30, 2009, the effect of the revised calculations was to increase the intrinsic value of the beneficial conversion feature by $151.1 million and total shareholders equity by $170.4 million from the amounts previously reported. Further discussion of these revisions is included in this Amendment No. 1 in Note 1, Basis of Presentation, and Note 7, Debt and Shareholders Equity.

This Amendment No. 1 on Form 10-Q/A amends:

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Item 4. Controls and Procedures

This Amendment No. 1 includes the original filing in its entirety and we are only amending those portions affected by the revisions described above. The only exhibits included with this Amendment No. 1 are Exhibits 31.1, 31.2, and 32, related to the certifications by the principal executive officer and the principal financial officer, as required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended.

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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 share amounts)	September 30, 2009 (Unaudited) Revised	December 31, 2008	September 30, 2008 (Unaudited)
ASSETS			
Cash and due from banks	$ 992,940	$ 1,475,976	$ 1,441,957
Money market investments:			
Interest-bearing deposits and commercial paper	2,234,337	2,332,759	568,875
Federal funds sold	44,056	83,451	274,129
Security resell agreements	52,539	286,707	170,009
Investment securities:			
Held-to-maturity, at adjusted cost (approximate fair value $835,814, $1,443,555 and $1,587,006)	877,105	1,790,989	1,917,354
Available-for-sale, at fair value	3,547,092	2,676,255	2,792,236
Trading account, at fair value (includes $0, $538 and $531 transferred as collateral under repurchase agreements)	76,709	42,064	45,769
	4,500,906	4,509,308	4,755,359
Loans held for sale	206,387	200,318	152,095
Loans:			
Loans and leases excluding FDIC-supported assets	39,782,240	41,791,237	41,876,371
FDIC-supported assets	2,025,425		
	41,807,665	41,791,237	41,876,371
Less:			
Unearned income and fees, net of related costs	134,629	132,499	140,773
Allowance for loan losses	1,432,715	686,999	609,433
Loans and leases, net of allowance	40,240,321	40,971,739	41,126,165
Other noninterest-bearing investments	1,061,464	1,044,092	1,170,367
Premises and equipment, net	698,225	687,096	675,480
Goodwill	1,017,385	1,651,377	2,009,504
Core deposit and other intangibles	123,551	125,935	133,989
Other real estate owned	359,187	191,792	156,817
Other assets	1,766,852	1,532,241	1,339,422
	$ 53,298,150	$ 55,092,791	$ 53,974,168
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits:			
Noninterest-bearing demand	$ 11,453,247	$ 9,683,385	$ 9,413,484
Interest-bearing:			
Savings and NOW	5,392,096	4,452,919	4,341,873
Money market	17,413,735	16,826,846	14,087,288
Time under $100,000	2,784,593	2,974,566	2,954,116

Time $100,000 and over	3,949,684	4,756,218	4,468,225
Foreign	2,014,626	2,622,562	3,325,915
	43,007,981	41,316,496	38,590,901
Securities sold, not yet purchased	39,360	35,657	29,528
Federal funds purchased	1,008,181	965,835	1,179,197
Security repurchase agreements	509,014	899,751	734,379
Other liabilities	651,139	669,111	649,672
Commercial paper	2,449	15,451	40,493
Federal Home Loan Bank advances and other borrowings:			
One year or less	42,962	2,039,853	4,690,784
Over one year	18,803	128,253	128,855
Long-term debt	2,324,020	2,493,368	2,334,044
Total liabilities	47,603,909	48,563,775	48,377,853
Shareholders equity:			
Preferred stock, without par value, authorized 3,000,000 shares	1,529,462	1,581,834	286,949
Common stock, without par value; authorized 350,000,000 shares; issued and outstanding 136,398,089, 115,344,813, and 115,302,598 shares	3,125,344	2,599,916	2,482,517
Retained earnings	1,502,232	2,433,363	2,968,242
Accumulated other comprehensive income (loss)	(469,112)	(98,958)	(157,305)
Deferred compensation	(15,218)	(14,459)	(14,376)
Controlling interest shareholders equity	5,672,708	6,501,696	5,566,027
Noncontrolling interests	21,533	27,320	30,288
Total shareholders equity	5,694,241	6,529,016	5,596,315
	$ 53,298,150	$ 55,092,791	$ 53,974,168

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 September 30, 2009 Revised**	**Three Months Ended September 30, 2008**	**Nine Months Ended September 30, 2009 Revised**	**Nine Months Ended September 30, 2008**
Interest income:				
Interest and fees on loans	$ 586,246	$ 663,677	$ 1,749,688	$ 1,995,227
Interest on loans held for sale	2,434	1,916	8,272	7,632
Lease financing	5,125	5,515	14,453	17,100
Interest on money market investments	1,195	9,267	6,114	40,608
Interest on securities:				
Held-to-maturity taxable	4,864	21,780	33,139	39,965
Held-to-maturity nontaxable	5,806	6,319	17,867	18,972
Available-for-sale taxable	23,460	25,044	72,145	122,459
Available-for-sale nontaxable	1,830	1,697	5,286	5,459
Trading account	842	437	2,236	1,277
Total interest income	631,802	735,652	1,909,200	2,248,699
Interest expense:				
Interest on savings and money market deposits	54,554	90,720	194,056	274,851
Interest on time and foreign deposits	42,780	74,837	158,036	264,519
Interest on short-term borrowings	2,325	50,164	12,006	158,507
Interest on long-term borrowings	59,963	27,928	104,459	87,618
Total interest expense	159,622	243,649	468,557	785,495
Net interest income	472,180	492,003	1,440,643	1,463,204
Provision for loan losses	565,930	156,606	1,626,208	363,080
Net interest income after provision for loan losses	(93,750)	335,397	(185,565)	1,100,124
Noninterest income:				
Service charges and fees on deposit accounts	54,466	53,695	159,087	154,347
Other service charges, commissions and fees	39,227	42,794	117,745	127,137
Trust and wealth management income	8,209	8,865	24,124	28,842
Capital markets and foreign exchange	12,106	12,257	41,621	34,850
Dividends and other investment income	2,597	7,042	13,689	30,361
Loan sales and servicing income	2,359	3,633	15,250	19,959
Income from securities conduit		336	1,086	3,960
Fair value and nonhedge derivative income (loss)	58,092	(26,155)	82,412	(42,157)
Equity securities gains (losses), net	(1,805)	12,971	339	14,918
Fixed income securities gains, net	1,900	135	3,539	1,988
Impairment losses on investment securities:				
Impairment losses on investment securities	(198,378)	(28,022)	(435,509)	(107,568)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	141,863		254,352	

Net impairment losses on investment securities	(56,515)	(28,022)	(181,157)	(107,568)
Valuation losses on securities purchased			(212,092)	(5,204)
Gain on subordinated debt modification			493,725	
Acquisition related gains	146,153		169,130	
Other	3,951	2,059	9,716	11,549
Total noninterest income	270,740	89,610	738,214	272,982
Noninterest expense:				
Salaries and employee benefits	205,433	208,995	612,014	619,640
Occupancy, net	28,556	30,552	83,534	84,715
Furniture and equipment	25,320	24,281	75,189	73,629
Other real estate expense	30,419	7,126	72,510	10,254
Legal and professional services	9,076	11,297	27,116	30,743
Postage and supplies	7,680	9,257	24,126	27,582
Advertising	4,418	6,782	17,244	20,653
FDIC premiums	19,820	5,286	76,320	14,113
Amortization of core deposit and other intangibles	7,575	8,096	21,539	25,107
Provision for unfunded lending commitments	36,537	(3,264)	46,291	2,044
Other	59,873	63,868	174,498	168,316
Total noninterest expense	434,707	372,276	1,230,381	1,076,796
Impairment loss on goodwill			633,992	
Income (loss) before income taxes	(257,717)	52,731	(1,311,724)	296,310
Income taxes (benefit)	(100,046)	11,214	(275,534)	83,147
Net income (loss)	(157,671)	41,517	(1,036,190)	213,163
Net income (loss) applicable to noncontrolling interests	(2,394)	3,757	(4,143)	(3,544)
Net income (loss) applicable to controlling interest	(155,277)	37,760	(1,032,047)	216,707
Preferred stock dividends	(26,603)	(4,409)	(78,336)	(9,316)
Preferred stock redemption			52,418	
Net earnings (loss) applicable to common shareholders	$ (181,880)	$ 33,351	$ (1,057,965)	$ 207,391
Weighted average common shares outstanding during the period:				
Basic shares	127,581	108,407	119,248	107,176
Diluted shares	127,581	108,497	119,248	107,333
Net earnings (loss) per common share:				
Basic	$ (1.43)	$ 0.31	$ (8.87)	$ 1.94
Diluted	(1.43)	0.31	(8.87)	1.93

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, except per share amounts)	Preferred stock Revised	Common stock Shares	Common stock Amount Revised	Retained earnings Revised	Accumulated other comprehensive income (loss)	Deferred compensation	Noncontrolling interests	Total shareholders equity Revised
Balance, December 31, 2008	$ 1,581,834	115,344,813	$ 2,599,916	$ 2,433,363	$ (98,958)	$ (14,459)	$ 27,320	$ 6,529,016
Cumulative effect of change in accounting principle, adoption of FSP FAS 115-2 and 124-2				137,462	(137,462)			
Comprehensive loss:								
Net loss for the period				(1,032,047)			(4,143)	(1,036,190)
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding losses on investments and retained interests					(82,003)			
Reclassification for net realized losses on investments recorded in operations					96,545			
Noncredit-related impairment losses on securities not expected to be sold					(152,531)			
Accretion of securities with noncredit-related impairment losses not expected to be sold					963			
Net unrealized losses on derivative instruments					(95,666)			
Other comprehensive loss					(232,692)			(232,692)
Total comprehensive loss								(1,268,882)
Preferred stock redemption	(100,511)		1,763	52,266				(46,482)
Subordinated debt converted to preferred stock	32,497		(4,740)					27,757
Dividends on preferred stock	15,642			(78,336)				(62,694)
Issuance of common stock		20,503,925	311,259					311,259
Subordinated debt modification			201,154					201,154
Net stock issued under employee plans and related tax benefits		549,351	15,992					15,992
Dividends on common stock, $.09 per share				(10,476)				(10,476)
Change in deferred compensation						(759)		(759)
Other changes in noncontrolling interests							(1,644)	(1,644)
Balance, September 30, 2009	$ 1,529,462	136,398,089	$ 3,125,344	$ 1,502,232	$ (469,112)	$ (15,218)	$ 21,533	$ 5,694,241
Balance, December 31, 2007	$ 240,000	107,116,505	$ 2,212,237	$ 2,910,692	$ (58,835)	$ (11,294)	$ 30,939	$ 5,323,739
Cumulative effect of change in accounting principle, adoption of FAS 159				(11,471)	11,471			
Comprehensive income:								
Net income for the period				216,707			(3,544)	213,163
Other comprehensive income (loss), net of tax:								
Net realized and unrealized holding losses on investments and retained interests					(207,190)			

Foreign currency translation					(52)			
Reclassification for net realized losses on investments recorded in operations					63,463			
Net unrealized gains on derivative instruments					33,104			
Pension and postretirement					734			
Other comprehensive loss					(109,941)			(109,941)
Total comprehensive income								103,222
Issuance of preferred stock	46,949		(503)					46,446
Issuance of common stock		7,194,079	244,889					244,889
Stock issued under dividend reinvestment plan		39,857	1,261					1,261
Net stock issued under employee plans and related tax benefits		952,157	24,633					24,633
Dividends on preferred stock				(9,316)				(9,316)
Dividends on common stock, $1.29 per share				(138,370)				(138,370)
Change in deferred compensation						(3,082)		(3,082)
Other changes in noncontrolling interests							2,893	2,893
Balance, September 30, 2008	$ 286,949	115,302,598	$ 2,482,517	$ 2,968,242	$ (157,305)	$ (14,376)	$ 30,288	$ 5,596,315

Total comprehensive income (loss) for the three months ended September 30, 2009 and 2008 was $(258,619) and $42,537, respectively.

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,**	
	2009 Revised	**2008**	**2009 Revised**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss) for the period	$ (157,671)	$ 41,517	$ (1,036,190)	$ 213,163
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Impairment and valuation losses on investment securities, goodwill, and long-lived assets	56,515	30,261	1,027,241	115,011
Gain on subordinated debt modification			(493,725)	
Acquisition related gains	(146,153)		(169,130)	
Debt extinguishment cost			5,103	
Provision for credit losses	602,467	153,342	1,672,499	365,124
Depreciation of premises and equipment	18,731	17,918	55,824	52,830
Amortization	69,119	19,729	105,143	48,996
Deferred income tax benefit	(50,470)	(48,293)	(149,653)	(119,187)
Share-based compensation	7,297	8,875	22,641	23,255
Excess tax benefits from share-based compensation	(4)	(128)	(33)	(527)
Equity securities losses (gains), net	1,805	(12,971)	(339)	(14,918)
Fixed income securities gains, net	(1,900)	(135)	(3,539)	(1,988)
Net decrease (increase) in trading securities	1,899	5,901	(34,645)	(15,819)
Principal payments on and proceeds from sales of loans held for sale	462,313	224,344	1,608,039	887,700
Originations of loans held for sale	(412,247)	(221,828)	(1,609,246)	(851,599)
Net write-down of and losses from sales of other real estate owned	26,221	6,300	61,761	9,028
Net gains on sales of loans, leases and other assets	(948)	(1,713)	(11,248)	(14,984)
Income from increase in cash surrender value of bank-owned life insurance	(5,928)	(6,393)	(18,083)	(18,994)
Change in accrued income taxes	(119,817)	8,861	(187,216)	(68,764)
Change in accrued interest receivable	11,074	14,171	48,261	36,390
Change in other assets	(30,987)	164,171	(97,921)	82,898
Change in other liabilities	14,037	90,954	(53,540)	58,321
Change in accrued interest payable	1,662	1,308	(25,030)	(10,016)
Other, net	13,376	(892)	9,105	7,959
Net cash provided by operating activities	360,391	495,299	726,079	783,879
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net decrease (increase) in money market investments	(877,777)	250,244	375,680	487,195
Proceeds from maturities and paydowns of investment securities held-to-maturity	75,494	28,379	130,397	82,271
Purchases of investment securities held-to-maturity	(14,041)	(43,162)	(45,830)	(83,345)
Proceeds from sales of investment securities available-for-sale	127,737	82,422	666,127	586,878
Proceeds from maturities and paydowns of investment securities available-for-sale	162,725	382,356	390,442	3,021,041
Purchases of investment securities available-for-sale	(74,882)	(459,523)	(1,530,131)	(2,786,420)
Proceeds from sales of loans and leases	22,995	211,808	72,886	260,947
Securitized loans purchased		(8,639)		(1,165,943)
Loan and lease originations, net of collections	479,745	(358,017)	991,706	(2,288,981)

Net decrease (increase) in other noninterest-bearing investments	(895)	(6,624)	12,214	(120,492)
Proceeds from sales of premises and equipment and other assets	1,527	106	6,263	8,534
Purchases of premises and equipment	(14,489)	(37,999)	(72,172)	(81,806)
Proceeds from sales of other real estate owned	70,007	14,875	167,619	33,866
Net cash received from acquisitions	305,464	688,940	452,415	688,940
Net cash provided by (used in) investing activities	263,610	745,166	1,617,616	(1,357,315)

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ZIONS BANCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited)

(In thousands)	Three Months Ended September 30, 2009 Revised	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009 Revised	Nine Months Ended September 30, 2008
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase (decrease) in deposits	$ (1,065,061)	$ 250,943	$ (989,336)	$ 936,107
Net change in short-term funds borrowed	(360,996)	(1,904,974)	(2,482,307)	(794,175)
Repayments of FHLB advances over 90 days and up to one year			(110,311)	
Proceeds from FHLB advances and other borrowings over one year			90	3,500
Repayments of FHLB advances and other borrowings over one year	(79)	(619)	(109,540)	(2,257)
Proceeds from issuance of long-term debt	405,724		696,952	28,495
Debt issuance and extinguishment costs	(4,383)	(64)	(22,466)	(675)
Repayments of long-term debt	(69)	(137,000)	(207)	(155,025)
Proceeds from issuance of preferred stock		46,446		46,446
Cash paid for preferred stock redemption	(152)		(46,482)	
Proceeds from issuance of common stock	187,518	244,914	311,259	246,355
Payments to redeem common stock	(146)	(55)	(1,246)	(2,635)
Excess tax benefits from share-based compensation	4	128	33	527
Dividends paid on preferred stock	(21,368)	(4,409)	(62,694)	(9,316)
Dividends paid on common stock	(1,258)	(45,542)	(10,476)	(137,109)
Net cash provided by (used in) financing activities	(860,266)	(1,550,232)	(2,826,731)	160,238
Net decrease in cash and due from banks	(236,265)	(309,767)	(483,036)	(413,198)
Cash and due from banks at beginning of period	1,229,205	1,751,724	1,475,976	1,855,155
Cash and due from banks at end of period	$ 992,940	$ 1,441,957	$ 992,940	$ 1,441,957
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for:				
Interest	$ 139,077	$ 239,041	$ 462,846	$ 793,697
Net payment made (cash refund received) for income taxes	90	42,150	(29,924)	259,402
Noncash items:				
Amortized cost of investment securities held-to-maturity transferred to investment securities available-for-sale			1,058,159	
Fair value of investment securities available-for-sale transferred to investment securities held-to-maturity				1,226,832
Loans transferred to other real estate owned	158,603	57,951	391,929	192,425
Beneficial conversion feature of modified subordinated debt recorded in common stock			201,154	
Subordinated debt converted to preferred stock	27,757		27,757	
Acquisitions:				
Assets acquired	1,611,693	66,192	2,981,279	66,192
Liabilities assumed	1,553,040	737,116	2,929,448	737,116

See accompanying notes to consolidated financial statements.

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ZIONS BANCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

September 30, 2009

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 for inte 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. Subsequent events have been evaluated through February 11, 2010, the date of filing these financial statements with the Securities and Exchange Commission (SEC).

Operating results for the three- and nine-month periods ended September 30, 2009 are not necessarily indicative of the results that may be expected in future periods. The consolidated balance sheet at December 31, 2008 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 the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

The Company provides a full range of banking and related services through banking subsidiaries in ten Western and Southwestern states as follows: Zions First National Bank (Zions Bank), in Utah and Idaho; California Bank & Trust (CB&T); Amegy Corporation (Amegy) and its subsidiary, Amegy Bank, 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). The Parent also owns and operates certain nonbank subsidiaries that engage in the development and sale of financial technologies and related services, and in wealth management services.

Revision of Financial Statements

The accompanying financial statements and related notes have been revised as a result of the reevaluation of our accounting for the subordinated debt modification described in Note 7. Our reevaluation resulted in revised calculations during the second quarter of 2009 of the gain on subordinated debt modification in the statements of income, and the intrinsic value of the beneficial conversion feature of the modified subordinated debt recorded directly in common stock within shareholders equity. The Company has no par common stock and all additional paid-in capital transactions are recorded in common stock. The effect of the 2009 second quarter revised calculations was to increase the net loss applicable to common shareholders by $2.4 million from $179.5 million to $181.9 million for the three months ended September 30, 2009. This was primarily due to increased accretion of the debt discount during the three months ended September 30, 2009. For the nine months ended September 30, 2009, the combined effect from the revised calculations of the 2009 second quarter increased gain on subordinated debt modification and the 2009 third quarter increased accretion of the debt discount was to reduce the net loss applicable to common shareholders by $14.5 million from $1,072.5 million to $1,058.0 million. In addition, at September 30, 2009, the effect of the revised calculations was to increase common stock by $151.1 million from $2,974.2 million to $3,125.3 million, and total shareholders equity by $170.4 million from $5,523.9 million to $5,694.3 million. The revisions applied to the affected individual line items in the financial statements are summarized as follows:

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CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	September 30, 2009	
	As previously reported	As revised
ASSETS		
Other assets	$ 1,872,374	$ 1,766,852
Total assets	53,403,672	53,298,150
LIABILITIES AND SHAREHOLDERS EQUITY		
Long-term debt	2,599,895	2,324,020
Total liabilities	47,879,784	47,603,909
Shareholders equity:		
Preferred stock, without par value	1,524,722	1,529,462
Common stock, without par value	2,974,256	3,125,344
Retained earnings	1,487,707	1,502,232
Controlling interest shareholders equity	5,502,355	5,672,708
Total shareholders equity	5,523,888	5,694,241
Total liabilities and shareholders equity	53,403,672	53,298,150

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	As previously reported	As revised	As previously reported	As revised
Interest expense:				
Interest on long-term borrowings	$ 56,093	$ 59,963	$ 100,589	$ 104,459
Total interest expense	155,752	159,622	464,687	468,557
Net interest income	476,050	472,180	1,444,513	1,440,643
Net interest income after provision for loan losses	(89,880)	(93,750)	(181,695)	(185,565)
Noninterest income:				
Gain on subordinated debt modification			466,333	493,725
Total noninterest income	270,740	270,740	710,822	738,214
Income (loss) before income taxes	(253,847)	(257,717)	(1,335,246)	(1,311,724)
Income taxes (benefit)	(98,565)	(100,046)	(284,531)	(257,534)
Net income (loss)	(155,282)	(157,671)	(1,050,715)	(1,036,190)
Net income (loss) applicable to controlling interest	(152,888)	(155,277)	(1,046,572)	(1,032,047)
Net earnings (loss) applicable to common shareholders	(179,491)	(181,880)	(1,072,490)	(1,057,965)
Net earnings (loss) per common share:				
Basic	$ (1.41)	$ (1.43)	$ (8.99)	$ (8.87)
Diluted	(1.41)	(1.43)	(8.99)	(8.87)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except per share amounts)	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	As previously reported	As revised	As previously reported	As revised

CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss) for the period	$ (155,282)	$ (157,671)	$ (1,050,715)	$ (1,036,190)
Gain on subordinated debt modification			(466,333)	(493,725)
Amortization	65,249	69,119	101,273	105,143
Deferred income tax benefit	(48,989)	(50,470)	(158,650)	(149,653)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Beneficial conversion feature of modified subordinated debt recorded in common stock	$	$	$ 45,326	$ 201,154

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A further description of the accounting for the subordinated debt modification is included in Note 7.

2. CERTAIN RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162*. With the issuance of SFAS 168, the FASB Accounting Standards Codification (the Codification or ASC) becomes the single source of authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the SEC. This change is effective for financial statements issued for interim or annual periods ending after September 15, 2009. Accordingly, all specific references herein to generally accepted accounting principles (GAAP) refer to the Codification and not to the pre-Codification literature.

The Codification does not modify existing GAAP nor any guidance issued by the SEC. Nonauthoritative accounting literature is excluded from the Codification. To improve usability, the Codification does include certain SEC guidance. GAAP accounting standards used to populate the Codification are superseded, with the exception of certain standards yet to be codified as of September 30, 2009, including SFAS 166 and 167 described subsequently.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140*, and SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*. These Statements modify the accounting for transfers of financial assets and the determination of what entities must be consolidated, and will have a significant effect on securitizations and special-purpose entities. We will adopt these Statements effective January 1, 2010, as required. Management is evaluating the impact these Statements may have on the Company s financial statements.

FASB ASC 855 includes new guidance on subsequent events that became effective for the second quarter of 2009. The definition of subsequent events was modified and entities are required to disclose the date through which subsequent events have been evaluated and the basis for that date. Adoption of this guidance was not significant to the Company s financial statements.

FASB ASC 810 includes new requirements for presenting consolidated financial statements, which we adopted January 1, 2009, as required. Under the new view of an economic entity in consolidated financial statements, the presentation of noncontrolling (or minority) interests has been changed in that all operating amounts attributable to a noncontrolling interest are included in the statement of income and accumulated balances are included as a separate component of equity. Also required is the allocation of losses to a noncontrolling interest even when such losses result in a negative carrying balance. The effect of adoption was not significant to the Company s financial statements. As of January 1, 2009, minority interest of $27.3 million was reclassified to shareholders equity and reported as noncontrolling interests. As required, retrospective application was made to all prior periods for comparative presentation.

FASB ASC 260 includes new guidance which clarifies that unvested share-based payment awards with rights to receive nonforfeitable dividends are participating securities and should be included in the computation of earnings per share. We adopted this guidance effective January 1, 2009 and were required to retrospectively adjust earnings per share information, which was not significant to any prior period included in the accompanying financial statements.

Additional accounting guidance recently adopted is discussed where applicable in the Notes to Consolidated Financial Statements.

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3. MERGER AND ACQUISITION ACTIVITY

Effective January 1, 2009, we adopted new accounting provisions under FASB ASC 805 relating to business combinations. Among the most significant changes is the elimination of the step acquisition model used with previous accounting. Upon initially obtaining control, the acquirer now recognizes 100% of all acquired assets (including goodwill) and all assumed liabilities regardless of the percentage owned. Certain transaction and restructuring costs must be expensed as incurred. Changes to the acquirer s existing income tax valuation allowances and uncertainty accruals from a business combination must be recognized as an adjustment to current income tax expense and not to goodwill over the subsequent annual period.

On July, 17, 2009, CB&T acquired the banking operations of the failed Vineyard Bank from the Federal Deposit Insurance Corporation (FDIC) as receiver. The acquisition consisted of approximately $1.6 billion of assets, including $1.4 billion of loans, $1.5 billion of deposits, and 16 branches mostly located in the Inland Empire area of Southern California. CB&T assumed Vineyard s deposit obligations other than brokered deposits, and purchased most of Vineyard s assets, including all loans, at a discount of $242 million to stated value. CB&T received approximately $87.5 million in cash from the FDIC and entered into a loss sharing agreement in which the FDIC will bear 80% of the first $465 million of losses on loans and other real estate owned and 95% of any losses above that amount for a period of up to ten years.

On April 17, 2009, NSB acquired the banking operations of the failed Great Basin Bank of Nevada headquartered in Elko, Nevada, from the FDIC as receiver. The acquisition consisted of approximately $212 million of assets, including the entire loan portfolio, $209 million of deposits, and five branches in Northern Nevada. NSB received approximately $17.8 million in cash from the FDIC and entered into a loss sharing agreement in which the FDIC will assume 80% of the first $40 million of losses on loans and other real estate owned and 95% of any losses above that amount for a period of up to ten years.

On February 6, 2009, CB&T acquired the banking operations of the failed Alliance Bank headquartered in Culver City, California from the FDIC as receiver. The acquisition consisted of approximately $1.1 billion of assets, including the entire loan portfolio, $1.0 billion of deposits, and five branches. CB&T received approximately $10 million in cash from the FDIC and entered into a loss sharing agreement in which the FDIC will assume 80% of the first $275 million of credit losses and 95% of any losses above that amount for a period of up to ten years.

As a result of these loss sharing arrangements, the acquired loans and foreclosed assets are presented separately in the Company s balance sheet as FDIC-supported assets. These assets were recorded at fair value without a corresponding allowance for credit losses. Because the fair value of net assets acquired exceeded cost, and taking into consideration the amounts of cash received from the FDIC, the Company recognized acquisition related gains of $146.2 million and $169.1 million during the three and nine months ended September 30, 2009, respectively.

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The following summarizes the carrying value of FDIC-supported assets at September 30, 2009 for (1) acquired loans accounted for under FASB ASC 310 which have evidence of credit deterioration and for which it is probable that not all contractual payments will be collected, (2) acquired loans without evidence of credit deterioration, and (3) all other acquired assets and estimated loss reimbursement from FDIC *(in thousands)*:

	Loans with deterioration	Loans without deterioration	Other	Total
Commercial lending	$ 69,012	$ 456,108		$ 525,120
Commercial real estate	385,958	570,997		956,955
Consumer	17,758	107,660		125,418
Other real estate owned			$ 54,714	54,714
Estimated loss reimbursement from FDIC	240,784	122,434		363,218
Total FDIC-supported assets	$ 713,512	$ 1,257,199	$ 54,714	$ 2,025,425

The estimated loss reimbursement from FDIC was fair valued using projected cash flows based on credit adjustments for each loan type and the loss sharing reimbursement of 80% or 95%, as appropriate. The timing of the cash flows was adjusted to reflect management s expectations to receive the FDIC reimbursements within the estimated loss period. Discount rates were based on U.S. Treasury rates or the AAA composite yield on investment grade bonds of similar maturity.

The estimated loss reimbursement from FDIC is adjusted as actual loss experience is developed and estimated losses covered under the loss sharing arrangements are updated. Estimated loan losses, if any, in excess of the amounts recoverable through the loss sharing arrangements are reflected as period expenses through the provision for loan losses.

As of the respective dates of acquisition for Vineyard, Great Basin and Alliance, the preliminary estimates of the contractually required payments receivable for loans with evidence of credit deterioration were $960.6 million, the cash flows expected to be collected were $879.3 million including interest, and the estimated fair value of the acquired loans was $877.5 million. These amounts were determined based upon the estimated remaining life of the underlying loans, which included the effects of estimated prepayments. Because of the estimation process required, certain refinements will likely be made to the above estimates in future reporting periods. Interest income on acquired loans in FDIC supported assets, other than those accounted for under FASB ASC 310, is recognized through the accrual of interest at the contractual rate adjusted for accretion of the interest discount.

Changes in the carrying amount and accretable yield for loans with evidence of credit deterioration were as follows during the three and nine months ended September 30, 2009 (or from the respective dates of acquisition) *(in thousands)*:

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	Net accretable discount	Carrying amount of loans	Net accretable discount	Carrying amount of loans
Fair value of acquired loans at beginning of period (or date of acquisition)	$ 1,988	$ 809,127	$ 1,808	$ 877,505
Payments received		(40,257)		(76,207)
Transfers to OREO		(319)		(319)
Charge-offs		(54,931)		(87,179)
Amortization	108	(108)	288	(288)
Balance at end of period	$ 2,096	$ 713,512	$ 2,096	$ 713,512

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4. INVESTMENT SECURITIES

Investment securities are summarized as follows *(in thousands)*:

	September 30, 2009						
		Recognized in OCI [1]			Not recognized in OCI [1]		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Held-to-maturity							
Municipal securities	$ 610,661	$	$	$ 610,661	$ 9,452	$ 4,535	$ 615,578
Asset-backed securities:							
Trust preferred securities banks and insurance	265,293		25,564	239,729	5	37,527	202,207
Other	32,304		5,689	26,615	546	9,230	17,931
Other debt securities	100			100		2	98
	$ 908,358	$	$ 31,253	$ 877,105	$ 10,003	$ 51,294	$ 835,814
Available-for-sale							
U.S. Treasury securities	$ 40,631	$ 645	$	$ 41,276			$ 41,276
U.S. Government agencies and corporations:							
Agency securities	243,371	6,195	189	249,377			249,377
Agency guaranteed mortgage-backed securities	386,417	12,143	214	398,346			398,346
Small Business Administration loan-backed securities	799,313	2,614	21,473	780,454			780,454
Municipal securities	241,214	5,644	658	246,200			246,200
Asset-backed securities:							
Trust preferred securities - banks and insurance	2,133,893	41,633	784,219	1,391,307			1,391,307
Trust preferred securities - real estate investment trusts	67,566		40,465	27,101			27,101
Auction rate securities	165,106	1,274	2,116	164,264			164,264
Other	146,518	2,006	54,538	93,986			93,986
	4,224,029	72,154	903,872	3,392,311			3,392,311
Other securities:							
Mutual funds and stock	154,770	11		154,781			154,781
	$ 4,378,799	$ 72,165	$ 903,872	$ 3,547,092			$ 3,547,092

[1] *Other comprehensive income*

As part of our ongoing review of the investment securities portfolio, we reassessed the classification of certain asset-backed and trust preferred collateralized debt obligation (CDO) securities. During the first two quarters of 2009, we reclassified a total of $596 million at fair value of held-to-maturity (HTM) securities to available-for-sale (AFS). Unrealized losses added to OCI at the time of these transfers were $126.5 million. The reclassifications were made subsequent to ratings downgrades, as permitted under FASB ASC 320. No gain or loss was recognized in the statement of income at the time of reclassification.

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The amortized cost and estimated fair value of investment debt securities are shown below as of September 30, 2009 by expected maturity distribution for asset-backed securities and by contractual maturity distribution for other debt securities. Actual maturities may differ from expected or contractual 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	$ 69,614	$ 69,341	$ 451,391	$ 453,585
Due after one year through five years	270,478	269,572	930,277	899,572
Due after five years through ten years	219,720	205,331	724,762	644,338
Due after ten years	348,546	291,570	2,117,599	1,394,816
	$ 908,358	$ 835,814	$ 4,224,029	$ 3,392,311

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

	September 30, 2009					
	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	$ 406	$ 24,261	$ 4,129	$ 24,973	$ 4,535	$ 49,234
Asset-backed securities:						
Trust preferred securities banks and insurance	104	449	62,987	201,757	63,091	202,206
Other	421	2,719	14,498	15,212	14,919	17,931
Other debt securities	2	98			2	98
	$ 933	$ 27,527	$ 81,614	$ 241,942	$ 82,547	$ 269,469
Available-for-sale						
U.S. Government agencies and corporations:						
Agency securities	$ 18	$ 4,012	$ 171	$ 3,563	$ 189	$ 7,575
Agency guaranteed mortgage-backed securities	206	28,993	8	874	214	29,867
Small Business Administration loan-backed securities	1,595	129,603	19,878	468,249	21,473	597,852
Municipal securities	644	32,115	14	777	658	32,892
Asset-backed securities:						
Trust preferred securities banks and insurance	6,094	71,656	778,125	941,215	784,219	1,012,871
Trust preferred securities real estate investment trusts	31,923	18,265	8,542	8,836	40,465	27,101
Auction rate securities	2,116	150,519			2,116	150,519
Other	2,182	8,110	52,356	65,065	54,538	73,175
	$ 44,778	$ 443,273	$ 859,094	$ 1,488,579	$ 903,872	$ 1,931,852

We conduct a formal review of investment securities on a quarterly basis for the presence of other-than-temporary impairment (OTTI). Our review was made under FASB ASC 320, which includes new guidance that we adopted effective January 1, 2009. 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. Under these circumstances, OTTI is considered to have occurred (1) if we intend to sell the security; (2) if 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. The more likely than not criteria is a lower threshold than the probable criteria used under previous guidance.

The new guidance requires that credit-related OTTI is recognized in earnings while noncredit-related OTTI on securities not expected to be sold is recognized in other comprehensive income (OCI). Noncredit-related OTTI is based on other factors, including illiquidity. 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. For securities classified as HTM, the amount of OTTI recognized in OCI is accreted to the credit-adjusted expected cash flow amounts of the securities over future periods. Noncredit-related OTTI recognized in earnings previous to January 1, 2009 is reclassified from retained earnings to accumulated OCI as a cumulative effect adjustment.

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As stated in our 2008 Annual Report on Form 10-K, our OTTI evaluation process also takes into consideration current market conditions, fair value in relationship to cost, extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, all available information relevant to the collectibility of debt securities, our ability and intent to hold investments until a recovery of fair value, which may be maturity, and other factors, when evaluating for the existence of OTTI in our securities portfolio. Additionally, OTTI is recognized as a realized loss through earnings when there has been an adverse change in the holder s expected cash flows such that it is probable that the full amount will not be received. This is a change from previous guidance that a holder s best estimate of cash flows should be based upon those that a market participant would use.

For all AFS security types discussed below where we believe that no OTTI exists at September 30, 2009, we applied the criteria required in the new guidance in that we do not intend to sell the securities and it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis.

Municipal securities

The HTM securities are purchased directly from the municipalities and are generally not rated by a credit rating agency. The AFS securities are rated as investment grade by various credit rating agencies. Both the HTM and AFS securities are at fixed and variable rates with maturities from one to 25 years. Fair values of these securities are highly driven by interest rates. We perform credit quality reviews on these securities at each reporting period. Because the decline in fair value is not attributable to credit quality, we believe that no OTTI exists for these securities at September 30, 2009.

Asset-backed securities

Trust preferred securities banks and insurance: These CDO securities are variable rate pools of trust preferred securities related to banks and insurance companies. They are rated by one or more Nationally Recognized Statistical Rating Organizations (NRSROs) which are rating agencies registered with the SEC. They were purchased generally at par. Unrealized losses were caused mainly by the following factors: (1) collateral deterioration due to bank failures and credit concerns across the banking sector; (2) widening of credit spreads for asset-backed securities; and (3) general illiquidity in the market for CDOs. Our ongoing review of these securities in accordance with the previous discussion and the policy in our 2008 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities. See subsequent summary.

Trust preferred securities real estate investment trusts (REIT): These CDO securities are variable rate pools of trust preferred securities primarily related to real estate investment trusts, and are rated by one or more NRSROs. They were purchased generally at par. Unrealized losses were caused mainly by severe deterioration in mortgage REITs and homebuilder credit in addition to the same factors previously discussed for banks and insurance CDOs. Our ongoing review of these securities in accordance with the previous discussion and the policy in our 2008 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities. See subsequent summary.

Auction rate securities: These debt instruments primarily relate to auction market preferred stock and certain corporate and municipal bonds for which the interest rate was determined through an auction process. Due to the failure of these auctions and attendant illiquidity of the securities, the Company voluntarily purchased these securities at par and recorded them at fair value. They had previously been sold to customers by certain Company subsidiaries. Adjustments to fair value were included in valuation losses on securities purchased. See subsequent discussion.

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Other asset-backed securities: The majority of these CDO securities were purchased from Lockhart Funding LLC (Lockhart) at their carrying values and were adjusted to fair value. Certain of these CDOs consist of structured asset-backed CDOs (ABS CDOs) (also known as diversified structured finance CDOs). Our ongoing review of these securities in accordance with the previous discussion and the policy in our 2008 Annual Report on Form 10-K determined that OTTI should be recorded on certain of these securities. See subsequent summary.

U.S. Government agencies and corporations

Agency securities: These securities consist of discount notes and medium term notes issued by the Federal Agricultural Mortgage Corporation (FAMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA). These securities are fixed rate and were purchased at premiums or discounts. They have maturity dates from one to 30 years and have contractual cash flows guaranteed by agencies of the U.S. Government. In the latter half of 2008, the U.S. Government provided substantial

liquidity to FNMA and FHLMC to bolster their creditworthiness. Because the decline in fair value is not attributable to credit quality, we believe that no OTTI exists for these securities at September 30, 2009.

Agency guaranteed mortgage-backed securities: These securities are comprised largely of fixed and variable rate residential and agricultural mortgage-backed securities issued by the Government National Mortgage Association (GNMA), FNMA, FAMC, or FHLMC. They have maturity dates from one to 30 years and have contractual cash flows guaranteed by agencies of the U.S. Government. In the latter half of 2008, the U.S. Government provided substantial liquidity to both FNMA and FHLMC to bolster their creditworthiness. Because the decline in fair value is not attributable to credit quality, we believe that no OTTI exists for these securities at September 30, 2009.

Small Business Administration (SBA) loan-backed securities: These securities were generally purchased at premiums with maturities from five to 25 years and have principal cash flows guaranteed by the SBA. Because the decline in fair value is not attributable to credit quality, we believe that no OTTI exists for these securities at September 30, 2009.

The following summarizes the amounts of credit-related OTTI recognized in earnings during the three and nine months ended September 30, 2009 according to the previously discussed categories *(in thousands)*:

	Three Months Ended September 30, 2009			**Nine Months Ended September 30, 2009**		
	HTM	**AFS**	**Total**	**HTM**	**AFS**	**Total**
Asset-backed securities:						
Trust preferred securities banks and insurance	$	$ (37,339)	$ (37,339)	$ (3)	$ (86,307)	$ (86,310)
Trust preferred securities real estate investment trusts		(9,245)	(9,245)		(77,064)	(77,064)
Other (including ABS CDOs)		(9,931)	(9,931)	(1,758)	(16,025)	(17,783)
	$	$ (56,515)	$ (56,515)	$ (1,761)	$ (179,396)	$ (181,157)

To determine the credit component of OTTI for all security types, the expected cash flows are credit-stressed in that they incorporate the effect of both collateral nonperformance and projected additional nonperformance. These expected cash flows are discounted at a security specific coupon rate.

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The following is a tabular rollforward of the amount of credit-related OTTI recognized in earnings *(in thousands)*:

	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	HTM	AFS	Total	HTM	AFS	Total
Balance of credit-related OTTI at beginning of period	$ (3,667)	$ (303,379)	$ (307,046)	$ (29,142)	$ (153,262)	$ (182,404)
Adjustment for transfers from HTM to AFS				43,987	(43,987)	
Additions for credit-related OTTI not previously recognized		(20,655)	(20,655)	(15,222)	(34,552)	(49,774)
Additional increases for credit-related OTTI previously recognized when there is no intent to sell and no requirement to sell before recovery of amortized cost basis		(35,860)	(35,860)	(3,290)	(128,093)	(131,383)
Subtotal of additions		(56,515)	(56,515)	(18,512)	(162,645)	(181,157)
Balance of credit-related OTTI at end of period	$ (3,667)	$ (359,894)	$ (363,561)	$ (3,667)	$ (359,894)	$ (363,561)

Noncredit-related OTTI of $141.9 million and $254.4 million ($84.7 million and $152.5 million after-tax) on securities not expected to be sold, and for which it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis, was recognized in OCI during the three and nine months ended September 30, 2009, respectively. As of January 1, 2009, we reclassified $137.5 million after-tax as a cumulative effect adjustment for the noncredit-related portion of OTTI losses previously recognized in earnings.

At September 30, 2009, 116 HTM and 764 AFS investment securities were in an unrealized loss position, with a vast majority of the dollar amount residing in the CDO portfolio.

The following summarizes gains and losses, including OTTI, that are recognized in the statement of income *(in thousands)*:

	Three Months Ended September 30, 2009		Nine Months Ended September 30, 2009	
	Gross gains	Gross losses	Gross gains	Gross losses
Investment securities:				
Held-to-maturity	$	$	$	$ 1,761
Available-for-sale	1,906	56,519	6,660	391,504
Other noninterest-bearing investments:				
Securities held by consolidated SBICs	(348)	2,753	435	4,507
Other	1,294		1,306	
	2,852	59,272	8,401	397,772
Net losses		$ (56,420)		$ (389,371)
Statement of income information:				
Net impairment losses on investment securities		$ (56,515)		$ (181,157)

Valuation losses on securities purchased		(212,092)
	(56,515)	(393,249)
Equity securities gains (losses), net	(1,805)	339
Fixed income securities gains, net	1,900	3,539
Net losses	$ (56,420)	$ (389,371)

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Valuation losses on securities purchased of $212.1 million during the nine months ended September 30, 2009 included the following:

$187.9 million, primarily from the purchase of $678.1 million of securities by Zions Bank from Lockhart due to ratings downgrades prior to fully consolidating Lockhart effective June 5, 2009. Lockhart had previously functioned as an off-balance sheet qualifying special-purpose entity securities conduit. As of September 30, 2009, Lockhart was legally terminated.

$24.2 million, when we voluntarily purchased during the first quarter of 2009 all of the $255.3 million of auction rate securities previously sold to customers by certain Company subsidiaries.

As of September 30, 2009 and December 31, 2008, securities with an amortized cost of $1.6 billion and $1.8 billion, respectively, were pledged to secure public and trust deposits, advances, and for other purposes as required by law. Securities are also pledged as collateral for security repurchase agreements.

Subsequent to September 30, 2009, the Company was informed of outstanding offers from a hedge fund to the preferred shareholders (equity holders) of four CDOs in which the Company held senior debt. The offers sought to induce the equity holders, in exchange for payments to be made outside of the CDO, to approve sales to the hedge fund of substantial amounts of performing collateral at deeply discounted prices. Such sales, if consummated, would be detrimental to the interests of the more senior tranches of the CDO.

Although the equity holders in one of the CDOs have agreed to the proposed offer from the hedge fund, the trustee has not commenced to sell the collateral and has filed an action in the United States District Court for the Southern District of New York seeking that the court order the interested parties to interplead and settle all claims relating to the collateral. The Company and other bondholders of these four CDOs are retaining counsel to defend their interests in the CDOs and the collateral and to seek to block any such sales, and believe they have substantial legal bases to do so.

The Company has significant holdings in the four CDOs ($166 million in carrying value and $302 million in amortized cost at September 30, 2009). The Company s investment could be materially adversely affected if any or all of these offers are accepted by the equity holders, and if subsequent judicial determinations result in the sale of the performing collateral at significant discounts to fair value. The Company has not adjusted the carrying value of these securities as a result of the actions described above.

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

FASB ASC 815 includes new guidance that we adopted January 1, 2009 regarding the disclosure of information about derivatives. Greater transparency is required in disclosing the objectives for their use, the volume of derivative activity, tabular disclosure of financial statement amounts, and any credit-risk-related features. The new disclosure requirements were not significantly different from the Company s previous annual disclosures.

We record all derivatives on the balance sheet at fair value in accordance with FASB ASC 815. See Note 8 for a discussion of the determination of fair value for derivatives. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

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For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with changes in the fair value of the related hedged item. The net amount, if any, representing hedge ineffectiveness, is reflected in earnings. At September 30, 2009, the Company had no fair value hedges, as discussed subsequently.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative are recorded in other comprehensive income and recognized in earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of cash flow hedges is recognized directly in earnings.

We assess the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transaction. For derivatives not designated as hedges, changes in fair value are recognized in earnings.

Our objective in using derivatives is to add stability to interest income or expense, to modify the duration of specific assets or liabilities as we consider advisable, and to manage exposure to interest rate movements or other identified risks. To accomplish this objective, we use interest rate swaps and floors as part of our cash flow hedging strategy. These derivatives are used to hedge the variable cash flows associated with designated commercial loans.

In previous periods, we used fair value hedges to manage interest rate exposure to certain long-term debt. During the first quarter of 2009, all fair value derivatives were terminated. After significant declines in short-term interest rates, we believed it was highly unlikely that short-term rates could go significantly lower. By terminating the swaps, we locked in a substantial gain due to the increase in their fair value and increased our flexibility to exchange or modify the now unhedged subordinated debt. As discussed further in Note 7, the subordinated debt was modified during the second quarter of 2009, and certain amounts were exchanged and/or converted during the second and third quarters of 2009. As of September 30, 2009, no derivatives were designated for hedges of investments in foreign operations.

Exposure to credit risk arises from the possibility of nonperformance by counterparties. These counterparties primarily consist of financial institutions that are well established and well capitalized. We control this credit risk through credit approvals, limits, pledges of collateral, and monitoring procedures. No losses on derivative instruments have occurred as a result of counterparty nonperformance. Nevertheless, the related credit risk is considered and measured when and where appropriate. We have no significant exposure to credit default swaps.

Interest rate swap agreements designated as cash flow hedges involve the receipt of fixed-rate amounts in exchange for variable-rate payments over the life of the agreements without exchange of the underlying principal amount. Derivatives not designated as hedges, including basis swap agreements, are not speculative and are used to manage our exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

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Selected information with respect to notional amounts and recorded gross fair values as of September 30, 2009 and the related gain (loss) of derivative instruments for the three and nine months ended September 30, 2009 is summarized as follows *(in thousands)*:

				Amount of derivative gain (loss) recognized/reclassified							
						Reclassified from					
				OCI		**AOCI to interest income**		**Other income**		**Offset to interest expense**	
		Fair value									
	Notional amount	**Other assets**	**Other liabilities**	**Three months ended**	**Nine months ended**	**Three months ended**	**Nine months ended**	**Three months ended**	**Nine months ended**	**Three months ended**	**Nine months ended**
Derivatives designated as hedging instruments											
Asset derivatives											
Cash flow hedges[1]:											
Interest rate swaps	$ 1,190,000	$ 87,800	$	$ 15,165	$ 7,885	$ 26,316	$ 87,061				
Interest rate floors	190,000	5,373		(330)	2,510	1,773	4,272				
Terminated swaps and floors								$ 61,103	$ 74,259		
	1,380,000	93,173		14,835	10,395	28,089	91,333	61,103	74,259 [3]		
Liability derivatives											
Fair value hedges:											
Long-term debt										$ 1,565	$ 24,629
Terminated swap gain on debt modification									161,300		
Total derivatives designated as hedging instruments	1,380,000	93,173		14,835	10,395	28,089	91,333	61,103	235,559	1,565	24,629
Derivatives not designated as hedging instruments											
	210,354	4,576	4,652					(1,477)	(1,014)		

Interest rate swaps											
Interest rate swaps for customers[2]	3,675,581	82,113	83,274					(1,976)	6,459		
Energy commodity swaps for customers[2]	274,280	15,064	14,771					(626)	604		
Basis swaps	705,000	147	151					1,619	7,716		
Total derivatives not designated as hedging instruments	4,865,215	101,900	102,848					(2,460)	13,765		
Total derivatives	$ 6,245,215	$ 195,073	$ 102,848	$ 14,835	$ 10,395	$ 28,089	$ 91,333	$ 58,643	$ 249,324	$ 1,565	$ 24,629

[1] *Amounts recognized in OCI and reclassified from accumulated OCI (AOCI) represent the effective portion of the derivative gain (loss).*
[2] *Amounts include both the customer swaps and the offsetting derivative contracts.*
[3] *Amount of $74,259, which reflects the acceleration of OCI amounts reclassified to income that related to previously terminated hedges, together with the reclassification amount of $91,333 for the nine months ended September 30, 2009, or a total of $165,592, is the amount of reclassification included in the changes in OCI presented in Note 7.*

At September 30, 2009 in accordance with FASB ASC 820, the fair values of derivative assets and liabilities were reduced by net credit valuation adjustments of $2.3 million and $1.0 million, respectively. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk.

FASB ASC 815 permits entities to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against recognized fair value amounts of derivatives executed with the same counterparty under a master netting arrangement. At September 30, 2009, cash collateral was used to reduce recorded amounts of derivative assets by $19.0 million and derivative liabilities by $2.5 million.

Interest rate swaps and energy commodity swaps for customers are offered to assist customers in managing their exposure to fluctuating interest rates and energy prices. Upon issuance, all of these customer swaps are immediately hedged by offsetting derivative contracts, such that the Company minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions and fees. As with other derivative instruments, we have credit risk for any nonperformance by counterparties.

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The remaining balances of any derivative instruments terminated prior to maturity, including amounts in AOCI for swap hedges, are accreted or amortized generally on a straight-line basis to interest income or expense over the period to their previously stated maturity dates. During the second quarter of 2009, the Company recognized gains when certain debt was modified. See discussion in Note 7.

Amounts in AOCI are reclassified to interest income as interest is earned on variable rate loans and as amounts for terminated hedges are accreted or amortized to earnings. For the 12 months following September 30, 2009, we estimate that an additional $93 million of gains and accretion/amortization will be reclassified.

6. GOODWILL

Changes in the carrying amount of goodwill by operating segment are as follows *(in thousands)*:

	Zions Bank	CB&T	Amegy	Other	Consolidated Company
Balance as of December 31, 2008	$ 19,514	$ 379,024	$ 1,248,950	$ 3,889	$ 1,651,377
Impairment losses			(633,327)	(665)	(633,992)
Balance at September 30, 2009	$ 19,514	$ 379,024	$ 615,623	$ 3,224	$ 1,017,385

The impairment losses totaling $634.0 million reflect impairment due to continued market deterioration during the first quarter of 2009, and related primarily to Amegy. The amount of the impairment losses was determined based on the calculation process specified in FASB ASC 350, which compares carrying value to the estimated fair values of assets and liabilities. These fair values were estimated with the assistance of independent valuation consultants utilizing the fair value provisions of FASB ASC 820. The estimation process took into account market value approaches including management estimates of projected discounted cash flows. For Amegy, the process included a review of transaction information and recent declines in market values of peer banks in and near Texas and a weaker economic outlook in that state.

7. DEBT AND SHAREHOLDERS EQUITY

During the second and third quarters of 2009, as disclosed in certain SEC filings, we initiated capital actions that affected certain long-term debt and increased net income and common shareholders equity during the nine months ended September 30, 2009 as follows *(in millions)*:

	Increase to		
	Statement of income		Common shareholders equity
	Pretax	After-tax	
1. Gain on subordinated debt modification	$ 493.7	$ 304.9	$ 304.9
2. Beneficial conversion feature recorded in common stock			201.2
3. Preferred stock redemption		52.4	54.0
4. Common equity ongoing issuances			311.3
		$ 357.3	$ 871.4

1. Gain on subordinated debt modification We exchanged approximately $0.2 billion of subordinated notes for new notes with the same terms. The remaining $1.2 billion of subordinated notes were modified to permit conversion on a par-for-par basis into either the Company s Series A or Series C preferred stock. The carrying value of the modified subordinated debt included the fair value adjustments of the swaps that were terminated. Net of issuance costs and debt discount on the previous debt, the pretax gain recognized in the statement of income from this subordinated debt modification was $493.7 million.

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2. Beneficial conversion feature We recorded $201.2 million after-tax directly in common stock for the intrinsic value of the beneficial conversion feature of the modified subordinated debt. The Company has no par common stock and all additional paid-in capital transactions are recorded in common stock.

3. Tender offer of Series A preferred stock We purchased 4,020,435 depositary shares (each share representing a 1/40th ownership interest in a share of preferred stock) at a price of $11.50 per depositary share, or an aggregate amount of $46.4 million including accrued dividends. At a $25 per depositary share liquidation preference, the purchase reduced the $240 million carrying value of the Series A preferred stock by approximately $100.5 million. Net of related costs, the preferred stock redemption resulted in a $54.0 million increase to common shareholders equity. The purchase price of $11.50 per depositary share was determined based on a modified Dutch auction pricing mechanism.

4. Common equity ongoing issuances Under an equity distribution agreement, we issued $250 million of new common stock from June 1, 2009 to August 27, 2009, which consisted of a total of 16,832,925 shares at an average price of $14.85 (7,655,267 shares at an average price of $16.13 during the third quarter of 2009). Under a second equity distribution agreement for $250 million that commenced September 17, 2009, we issued $67.2 million of common stock through September 30, 2009, which consisted of 3,671,000 shares at an average price per share of $18.31. Net of commissions and fees, these common equity distribution programs added $311.3 million to shareholders equity during the second and third quarters of 2009.

The gain on the subordinated debt modification was calculated as the difference between the fair value of the modified convertible debt and the carrying value of the extinguished debt on the transaction date. The $493.7 million gain was determined using fair values on the transaction date of June 29, 2009.

The intrinsic value of the beneficial conversion feature was calculated as the difference between the fair value of the preferred stock into which the debt is convertible (multiplied by the number of related shares) and the fair value of the modified convertible debt on the commitment date. The commitment date is defined as the date when both parties are bound to the terms of the transaction, which was the expiration of the exchange offer and corresponded with the transaction date. The calculation resulted in an intrinsic value of $201.2 million after-tax. At the time of each conversion of the modified convertible debt to preferred stock, a proportional amount of the intrinsic value of the beneficial conversion feature is transferred from common stock to preferred stock. During the third quarter of 2009, $4.7 million was transferred due to the $27.8 million conversion discussed subsequently.

In connection with the debt modification, we recorded a debt discount of approximately $665.5 million, which is amortized to income using the interest method over the remaining terms of the subordinated debt. The rate of amortization is accelerated if and as holders of the subordinated debt elect to convert it into preferred stock through the immediate expensing of any unamortized discount associated with the converted debt. During the third quarter of 2009, the $27.8 million conversion discussed subsequently accelerated this amortization by approximately $15.8 million.

During the third quarter of 2009, we recognized in preferred stock the conversion of $27.8 million of modified subordinated debt when holders received 1,110,280 depositary shares (each share representing a 1/40th ownership interest in a share of preferred stock), or 27,757 shares of the Company s Series C preferred stock.

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During the three and nine months ended September 30, 2009, we issued senior medium-term notes of approximately $44.9 million and $81.1 million, and redeemed approximately $31.6 million and $235.6 million, respectively. At September 30, 2009, maturities of these notes ranged from May 2010 to September 2011 with rates from 5.25% to 6.00%.

On September 23, 2009, we issued $450 million of 7.75% unsecured senior notes due September 23, 2014 at a price of 86.888%. The notes are not redeemable prior to maturity.

On January 21, 2009, we issued $254.9 million of senior floating rate notes due June 21, 2012 at a coupon rate of three-month LIBOR plus 37 basis points. The debt is guaranteed under the FDIC s Temporary Liquidity Guarantee Program that became effective on November 21, 2008.

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 gains (losses) on derivative instruments	Pension and post-retirement	Total
Nine Months Ended September 30, 2009:				
Balance, December 31, 2008	$ (248,871)	$ 196,656	$ (46,743)	$ (98,958)
Cumulative effect of change in accounting principle, adoption of new OTTI guidance in FASB ASC 320	(137,462)			(137,462)
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $50,543	(82,003)			(82,003)
Reclassification for net realized losses recorded in operations, net of income tax benefit of $61,639	96,545			96,545
Noncredit-related impairment losses on securities not expected to be sold, net of income tax benefit of $101,821	(152,531)			(152,531)
Accretion of securities with noncredit-related impairment losses not expected to be sold, net of income tax expense of $653	963			963
Net unrealized losses, net of reclassification to operations of $165,592 and income tax benefit of $59,531		(95,666)		(95,666)
Other comprehensive loss	(137,026)	(95,666)		(232,692)
Balance, September 30, 2009	$ (523,359)	$ 100,990	$ (46,743)	$ (469,112)
Nine Months Ended September 30, 2008:				
Balance, December 31, 2007	$ (108,766)	$ 65,213	$ (15,282)	$ (58,835)
Cumulative effect of change in accounting principle, adoption of FASB ASC 825, fair value option	11,471			11,471
Other comprehensive income (loss), net of tax:				
Net realized and unrealized holding losses, net of income tax benefit of $132,843	(207,190)			(207,190)
Foreign currency translation	(52)			(52)
Reclassification for net realized losses recorded in operations, net of income tax benefit of $40,044	63,463			63,463
Net unrealized gains, net of reclassification to operations of $40,219 and income tax expense of $20,927		33,104		33,104

Pension and postretirement, net of income tax expense of $477					734		734
Other comprehensive income (loss)		(143,779)		33,104	734		(109,941)
Balance, September 30, 2008	$	(241,074)	$	98,317	$ (14,548)	$	(157,305)

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8. FAIR VALUE

FASB ASC 820 defines fair value, establishes a consistent framework for measuring fair value, and enhances disclosures about fair value measurements. Effective January 1, 2009, we adopted new guidance that affected our accounting and reporting of fair value as follows:

- Inclusion of nonfinancial assets and nonfinancial liabilities, which for the Company primarily related to other real estate owned.

- Estimation of fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity; additional guidance to determine when a transaction is not orderly; and enhanced disclosures of fair value measurements.

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Disclosure of fair values on an interim rather than annual basis for certain financial instruments.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, a hierarchy has been established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities; includes certain U.S. Treasury and other U.S. Government and agency securities actively traded in over-the-counter markets; certain securities sold, not yet purchased; and certain derivatives.

Level 2 Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data; also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. This category generally includes certain U.S. Government and agency securities; certain CDO securities; corporate debt securities; certain private equity investments; certain securities sold, not yet purchased; and certain derivatives.

Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. This category generally includes certain CDO securities and certain private equity investments.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. This is done primarily for AFS and trading investment securities; private equity investments; securities sold, not yet purchased; and derivatives. Fair value is used on a nonrecurring basis to measure certain assets when applying lower of cost or market accounting or when adjusting carrying values, such as for loans held for sale, impaired loans, and other real estate owned. Fair value is also used when evaluating impairment on certain assets, including HTM and AFS securities, goodwill, core deposit and other intangibles, long-lived assets, and for disclosures of certain financial instruments.

AFS and trading investment securities are fair valued under Level 1 using quoted market prices when available for identical securities. When quoted prices are not available, fair values are determined under Level 2 using quoted prices for similar securities or independent pricing services that incorporate observable market data when possible. AFS securities also include certain CDOs that consist of trust preferred securities related to banks and insurance companies and to REITs.

Substantially all the CDO portfolio is fair valued under a Level 3 cash flow modeling approach using several methodologies that primarily include internal and third party models.

A licensed third party model is used internally to fair value bank and insurance trust preferred CDOs. This model uses third party, model-derived estimates of expected losses on underlying collateral and applies market-based discount rates on resultant cash flows to estimate fair value. Adverse market developments that continued in the first half of 2009 made it more difficult to determine appropriate assumptions for this model. These developments related to ratings downgrades, declines in trading volumes, increases in the number of defaulting and deferring collateral issuers, and other factors. Assumptions for discount rates, probabilities of default, loss-given-default rates, etc., reflect related risk assessments on specific CDO securities and tranches within those securities.

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Third party models are used to fair value certain REIT and ABS CDOs. These models utilize relevant data assumptions, which we evaluate for reasonableness. These assumptions include but are not limited to discount rates, probabilities of default, loss-given-default rates, over-collateralization levels, and rating transition probability matrices from rating agencies. The model prices obtained from third party services were evaluated for reasonableness including quarter to quarter changes in assumptions and comparison to other available data which included third party and internal model results and valuations.

Private equity investments valued under Level 2 on a recurring basis are investments in partnerships that invest in financial institutions. Fair values are determined from net asset values provided by the partnerships. Private equity investments valued under Level 3 on a recurring basis are recorded initially at acquisition cost, which is considered the best indication of fair value unless there have been significant subsequent positive or negative developments that justify an adjustment in the fair value estimate. Subsequent adjustments to recorded fair values are based as necessary on current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors.

Derivatives are fair valued according to their classification as either exchange-traded or over-the-counter (OTC). Exchange-traded derivatives consist of forward currency exchange contracts that have been fair valued under Level 1 because they are traded in active markets. OTC derivatives consist of interest rate swaps and options as well as energy commodity derivatives for customers. These derivatives are fair valued primarily under Level 2 using third party services. Observable market inputs include yield curves, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Company as appropriate to the total expected exposure of the derivative. Amounts disclosed in the following table are also net of the cash collateral offsets discussed in Note 5.

Securities sold, not yet purchased are fair valued under Level 1 when quoted prices are available for the securities involved. Those under Level 2 are fair valued similar to trading account investment securities.

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Assets and liabilities measured at fair value on a recurring basis, including one security elected under the fair value option, are summarized as follows at September 30, 2009 and at December 31, 2008 *(in thousands)*:

	September 30, 2009			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale:				
U.S. Treasury and agencies	$ 39,914	$ 1,429,539		$ 1,469,453
Municipal securities		182,019	$ 64,181	246,200
Asset-backed securities:				
Trust preferred banks and insurance		1,524	1,389,783	1,391,307
Trust preferred real estate investment trusts		27,101	27,101	
Auction rate			164,264	164,264
Other		22,565	71,421	93,986
Mutual funds and stock	147,868	6,913		154,781
Trading account		76,660	49 [1]	76,709
Other noninterest-bearing investments:				
Private equity		21,682	154,676	176,358
Other assets:				
Derivatives	4,023	176,282		180,305
	$ 191,805	$ 1,917,184	$ 1,871,475	$ 3,980,464
LIABILITIES				
Securities sold, not yet purchased	$ 1,203	$ 38,157		$ 39,360
Other liabilities:				
Derivatives	4,113	100,719		104,832
Other			$ 864	864
	$ 5,316	$ 138,876	$ 864	$ 145,056

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment securities:				
Available-for-sale	$ 27,756	$ 1,898,082	$ 750,417	$ 2,676,255
Trading account		41,108	956 [1]	42,064
Other noninterest-bearing investments:				
Private equity		29,037	143,511	172,548
Other assets:				
Derivatives	9,922	395,272		405,194
	$ 37,678	$ 2,363,499	$ 894,884	$ 3,296,061
LIABILITIES				
Securities sold, not yet purchased		$ 35,657		$ 35,657

Other liabilities:				
Derivatives	$ 8,812	175,670		184,482
Other			$ 527	527
	$ 8,812	$ 211,327	$ 527	$ 220,666

[1] *Elected under fair value option, as discussed subsequently.*

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The following reconciles the beginning and ending balances of assets and liabilities for the three and nine months ended September 30, 2009 and 2008 that are measured at fair value on a recurring basis using Level 3 inputs *(in thousands)*:

	Three Months Ended September 30, 2009 Level 3 Instruments							
	Municipal securities	**Trust preferred banks and insurance**	**Trust preferred REIT**	**Auction rate**	**Other asset-backed**	**Trading account[1]**	**Private equity investments**	**Other liabilities**
Balance at June 30, 2009	$ 64,658	$ 1,534,823	$ 34,580	$ 171,252	$ 83,466	$ 49	$ 155,680	$ (215)
Total net gains (losses) included in:								
Statement of income[2]:								
Dividends and other investment income (loss)							(6,695)	
Net impairment losses on investment securities		(37,339)	(9,245)		(9,931)			
Other noninterest expense								(649)
Other comprehensive income (loss)	(108)	(105,175)	1,700	(213)	1,516			
Purchases, sales, issuances, and settlements, net	(369)	(2,526)	66	(6,775)	(3,630)		5,691	
Balance at September 30, 2009	$ 64,181	$ 1,389,783	$ 27,101	$ 164,264	$ 71,421	$ 49	$ 154,676	$ (864)

	Nine Months Ended September 30, 2009 Level 3 Instruments							
	Municipal securities	**Trust preferred banks and insurance**	**Trust preferred REIT**	**Auction rate**	**Other asset-backed**	**Trading account[1]**	**Private equity investments**	**Other liabilities**
Balance at January 1, 2009	$	$ 659,253	$ 23,897	$ 1,710	$ 65,557	$ 956	$ 143,511	$ (527)
Total net gains (losses) included in:								
Statement of income[2]:								
Dividends and other investment income (loss)							(8,415)	
Fair value and nonhedge derivative income (loss)						(907)		
Equity securities gains, net							109	
Fixed income securities gains (losses), net				247				
Net impairment losses on investment securities		(46,932)	(76,511)		(10,858)			
Valuation losses on securities purchased	(6,977)	(172,729)	(8,945)	(17,265)	(1,774)			
Other noninterest expense								(337)
Other comprehensive income (loss)	(19)	(119,920)	48,261	(872)	4,583			
Fair value of HTM securities transferred to AFS		565,282	15,280		15,674			
Purchases, sales, issuances, and settlements, net	67,902	504,829	25,119	175,264	(1,761)		19,471	
Net transfers in (out)	3,275			5,180				
Balance at September 30, 2009	$ 64,181	$ 1,389,783	$ 27,101	$ 164,264	$ 71,421	$ 49	$ 154,676	$ (864)

Three Months Ended September 30, 2008 Level 3 Instruments	
Investment securities	**Retained**

	Available-for-sale	Trading account[1]	interests from securitizations[1]	Other liabilities
Balance at June 30, 2008	$ 182,268	$ 5,724	$	$ (292)
Total net gains (losses) included in:				
Statement of income[2]:				
Fair value and nonhedge derivative income (loss)		(319)		
Impairment losses on available-for sale securities	(14,006)			
Other noninterest expense				(1,130)
Other comprehensive income (loss)	(57,429)			
Purchases, sales, issuances, and settlements, net	(4,315)			
Net transfers in (out)	659,841			
Balance at September 30, 2008	$ 766,359	$ 5,405	$	$ (1,422)

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	Nine Months Ended September 30, 2008 Level 3 Instruments			
	Investment securities		Retained	
	Available-for-sale	Trading account[1]	interests from securitizations[1]	Other liabilities
Balance at January 1, 2008	$ 337,338	$ 8,100	$ 42,426	$ (44)
Total net gains (losses) included in:				
Statement of income[2]:				
Fair value and nonhedge derivative income (loss)		(2,695)	(2,098)	
Impairment losses on available-for sale securities and valuation losses on securities purchased from Lockhart Funding	(82,032)			
Other noninterest expense				(378)
Other comprehensive income (loss)	(123,560)			
Proceeds from ESOARS auction				(1,000)
Fair value of available-for-sale securities transferred to held-to-maturity	(200,873)			
Purchases, sales, issuances, and settlements, net	(5,985)		(13,593)	
Net transfers in (out)	841,471		(26,735)	
Balance at September 30, 2008	$ 766,359	$ 5,405	$	$ (1,422)

[1] *Elected under fair value option, as discussed subsequently.*
[2] *All amounts are unrealized except for realized gains of $0.5 million and $0.8 million for the three and nine months ended September 30, 2009, respectively, included in dividends and other investment income (loss), and realized losses of $0 and $67.0 million for the three and nine months ended September 30, 2009, respectively, included in net impairment losses on investment securities.*

Assets measured at fair value on a nonrecurring basis are summarized as follows *(in thousands)*:

	Fair value at September 30, 2009				Gains (losses) from fair value changes			
					Three Months Ended September 30,		Nine Months Ended September 30,	
	Level 1	Level 2	Level 3	Total	2009	2008	2009	2008
ASSETS								
HTM securities adjusted for OTTI		$	$ 4,118	$ 4,118	$	$	$ (1,761)	$
Loans held for sale		18,298		18,298		(355)	60	(349)
Impaired loans			253,935	253,935	(54,872)	(2,759)	(168,014)	(34,887)
Other real estate owned		156,047		156,047	(64,058)		(107,061)	
	$	$ 174,345	$ 258,053	$ 432,398	$ (118,930)	$ (3,114)	$ (276,776)	$ (35,236)

	Fair value at December 31, 2008			
	Level 1	Level 2	Level 3	Total
ASSETS				
Loans held for sale		$ 21,518	$	$ 21,518
Impaired loans			254,743	254,743
	$	$ 21,518	$ 254,743	$ 276,261

Loans held for sale relate to loans purchased under the Small Business Administration 7(a) program. They are fair valued under Level 2 based on quotes of comparable instruments.

Impaired loans that are collateral-dependent are fair valued under Level 3 based on the fair value of the collateral, which is then further discounted (12-20%) to reflect marketing costs and potential volatility in realizable values.

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Other real estate owned is fair valued under Level 2 at the lower of cost or fair value based on property appraisals at the time of transfer and as appropriate thereafter.

Fair Value Option

FASB ASC 825 allows for the option to report certain financial assets and liabilities at fair value initially and at subsequent measurement dates with changes in fair value included in earnings. The fair value option may be applied instrument by instrument, but is on an irrevocable basis. As of January 1, 2008, the Company elected the fair value option for one available-for-sale REIT trust preferred CDO security and three retained interests on selected small business loan securitizations. The cumulative effect of adopting the fair value option decreased retained earnings at January 1, 2008 by approximately $11.5 million.

The REIT trust preferred CDO was selected as part of a directional hedging program to hedge the credit exposure the Company has to homebuilders in its REIT CDO portfolio. This allows the Company to avoid complex hedge accounting provisions associated with the implemented hedging program. Management selected this security because it had the most exposure to the homebuilder market compared to the other REIT CDOs in the Company s portfolio, both in dollar amount and as a percentage, and was therefore considered the most suitable for hedging.

The retained interests had been selected to more appropriately reflect their fair value and to account for increases and decreases in their fair value through earnings. During 2008, Zions Bank purchased securities from Lockhart that comprised the entire remaining small business loan securitizations created by Zions Bank and held by Lockhart. These retained interests related to the securities purchased and, as part of the purchase transaction, were included with the premium recorded with the loan balances at Zions Bank.

Following is a summary of the carrying values and estimated fair values of certain financial instruments *(in thousands)*:

	September 30, 2009		December 31, 2008	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
HTM investment securities	$ 877,105	$ 835,814	$ 1,790,989	$ 1,443,555
Loans and leases (including loans held for sale), net of allowance	40,446,708	39,079,236	41,172,057	40,646,816
Financial liabilities:				
Time deposits	6,734,277	6,820,665	7,730,784	7,923,883
Foreign deposits	2,014,626	2,015,542	2,622,562	2,625,869
FHLB advances and other borrowings	61,765	64,055	2,168,106	2,179,652
Long-term debt	2,324,020	2,635,120	2,257,633	1,838,555

This summary excludes financial assets and liabilities for which carrying value approximates fair value. For financial assets, these include cash and due from banks and money market investments. For financial liabilities, these include demand, savings, and money market deposits, federal funds purchased, and security repurchase agreements. The estimated fair value of demand, savings, and money market deposits is the amount payable on demand at the reporting date. Carrying value is used because the accounts have no stated maturity and the customer has the ability to withdraw funds immediately. Also excluded from the summary are financial instruments recorded at value fair on a recurring basis, as previously described.

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The fair value of loans is estimated by discounting future cash flows on pass grade loans using the LIBOR yield curve adjusted by a factor which reflects the credit and interest rate risk inherent in the loan. These future cash flows are then reduced by the estimated life-of-the-loan aggregate credit losses in the loan portfolio. These adjustments for lifetime future credit losses are highly judgmental because the Company does not have a validated model to estimate lifetime credit losses on large portions of its loan portfolio. However, the estimate of lifetime credit losses was increased during the third quarter of 2009 because of more recent loss experience and the expectation of a prolonged cycle of economic weakness. Impaired loans are not included in this credit adjustment as they are already considered to be held at fair value. Loans, other than those held for sale, are not normally purchased and sold by the Company, and there are no active trading markets for most of this portfolio.

The fair value of time and foreign deposits, FHLB advances, and other borrowings is estimated by discounting future cash flows using the LIBOR yield curve. Variable rate FHLB advances reprice with changes in market rates; as such, their carrying amounts approximate fair value. The estimated fair value of long-term debt is based on actual market trades when available or discounting cash flows using the LIBOR yield curve adjusted for credit spreads.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

Further, certain financial instruments and all nonfinancial instruments are excluded from the applicable disclosure requirements. Therefore, the fair value amounts shown in the table do not, by themselves, represent the underlying value of the Company as a whole.

9. GUARANTEES, COMMITMENTS AND CONTINGENCIES

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

	September 30, 2009	**December 31, 2008**
Standby letters of credit:		
Financial	$ 1,120,252	$ 1,293,729
Performance	189,350	250,836
	$ 1,309,602	$ 1,544,565

The Company s Annual Report on Form 10-K for the year ended December 31, 2008 contains further information on these letters of credit including their terms and collateral requirements. At September 30, 2009, the carrying value recorded by the Company as a liability for these guarantees was $6.2 million.

As of September 30, 2009, the Parent has guaranteed approximately $300.2 million of debt of affiliated trusts issuing trust preferred securities.

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10. RETIREMENT PLANS

The following discloses the net periodic benefit cost (credit) and its components for the Company s pension and postretirement plans *(in thousands)*:

	Pension benefits		Supplemental retirement benefits		Postretirement benefits		Pension benefits		Supplemental retirement benefits		Postretirement benefits	
	Three Months Ended September 30,						Nine Months Ended September 30,					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Service cost	$ 19	$ 94	$	$	$ 9	$ 8	$ 172	$ 296	$	$	$ 26	$ 49
Interest cost	2,235	2,061	165	194	16	19	6,666	6,501	495	552	47	162
Expected return on plan assets	(1,775)	(2,628)					(5,306)	(8,290)				
Amortization of prior service cost (credit)			31	43	(61)	(61)			94	116	(183)	(81)
Settlement gain												(2,973)
Amortization of net actuarial (gain) loss	1,692	227	(7)	(5)	(49)	(52)	4,976	716	(22)	(17)	(147)	(154)
Net periodic benefit cost (credit)	$ 2,171	$ (246)	$ 189	$ 232	$ (85)	$ (86)	$ 6,508	$ (777)	$ 567	$ 651	$ (257)	$ (2,997)

As disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2008, the Company has frozen its participation and benefit accruals for the pension plan and its contributions for individual benefit payments in the postretirement benefit plan.

11. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. As of September 30, 2009, we operate eight community/regional banks in distinct geographical areas. Performance assessment and resource allocation are based upon this geographical structure. Zions Bank operates 103 branches in Utah and 25 branches in Idaho. CB&T operates 106 branches in California. Amegy operates 84 branches in Texas. NBA operates 76 branches in Arizona. NSB operates 58 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. Additionally, Zions Bank, CB&T, Amegy, NBA, Vectra, and TCBW each operate a foreign branch in the Grand Cayman Islands.

The operating segment identified as Other includes the Parent, Zions Management Services Company (ZMSC), certain nonbank financial service and financial technology subsidiaries, other smaller nonbank operating units, TCBO, and eliminations of transactions between segments. ZMSC provides internal technology and operational services to affiliated operating businesses of the Company. ZMSC charges most of its costs to the affiliates on an approximate break-even basis.

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.

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The following table presents selected operating segment information for the three months ended September 30, 2009 and 2008:

	Zions Bank		CB&T		Amegy		NBA		NSB	
(In millions)	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
CONDENSED INCOME STATEMENT										
Net interest income	$ 184.1	$ 170.3	$ 119.0	$ 106.1	$ 99.4	$ 92.7	$ 44.5	$ 54.1	$ 34.2	$ 39.6
Provision for loan losses	87.8	40.0	104.6	15.0	44.1	12.5	41.0	55.0	240.8	29.5
Net interest income after provision for loan losses	96.3	130.3	14.4	91.1	55.3	80.2	3.5	(0.9)	(206.6)	10.1
Impairment losses investment securities:										
Impairment losses investment securities	(62.2)	(3.3)	(91.1)	(12.0)						(2.0)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	38.0		78.5							
Net impairment losses on investment securities	(24.2)	(3.3)	(12.6)	(12.0)						(2.0)
Valuation losses on securities purchased										
Gain on subordinated debt modification										
Acquisition related gains			146.4						(0.3)	
Other noninterest income	9.2	33.7	(94.1)	22.0	27.0	39.8	9.9	10.7	17.5	11.4
Noninterest expense	121.2	118.5	81.3	58.0	100.0	80.7	40.0	37.5	54.7	34.3
Impairment loss on goodwill										
Income (loss) before income taxes	(39.9)	42.2	(27.2)	43.1	(17.7)	39.3	(26.6)	(27.7)	(244.1)	(14.8)
Income tax expense (benefit)	(19.8)	12.8	(12.7)	16.8	(7.6)	12.9	(10.5)	(11.1)	(85.5)	(5.2)
Net income (loss)	(20.1)	29.4	(14.5)	26.3	(10.1)	26.4	(16.1)	(16.6)	(158.6)	(9.6)
Net income (loss) applicable to noncontrolling interests						0.1				
Net income (loss) applicable to controlling interest	(20.1)	29.4	(14.5)	26.3	(10.1)	26.3	(16.1)	(16.6)	(158.6)	(9.6)
Preferred stock dividends										
Preferred stock redemption										
Net earnings (loss) applicable to common shareholders	$ (20.1)	$								