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Zions Bancorporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Steven Alexopoulos - JP Morgan.

Steven Alexopoulos - JP Morgan

Doyle, could we start with the dividend. It was $0.33, $0.32, now $0.04. What is the methodology that is being used to set the dividend? Is it a payout ratio? What are you thinking about there?

Doyle Arnold

I think at the minimum that we want to make sure we think we can cover the dividend out of earnings to common at least after netting after non-cash and/or truly extraordinary items, like goodwill impairment and maybe some of the OTTI. Things that we don't think will go on forever. They may not be a one-time charge but there's a sort of a finite nature to those things.

So the reduction and then the additional reduction, I think reflects our deteriorating outlook for the company and generally for the industry and the economy as a whole. There's nothing particularly unique to us. We are trying to assure that we don't pay out more than we are earning and that we are conserving common equity in a very uncertain environment.

Harris, do you want to add anything to that?

Harris Simmons

No, I think there's a limit to the science you can apply to it. I think it's clearly a substantial reduction but not an elimination.

Steven Alexopoulos - JP Morgan

Looking at page 18, what would explain the difference in the estimated fair value of the bank and insurance TruPS? If you look at held to maturity and then available for sale. Like if I look at the single-A, valued at 46% of par and held to maturity, but 78% in available for sale. Why would they be different?

Doyle Arnold

You're talking about the $124.0 million compared to the $268.0 million. And then under the bank TruPS, the $136.0 million compared to the $175.0 million.

We cash flow each of those securities, each of the tranches and each of those buckets differently. We are applying the same discount rate to those cash flows based on that rating. We are doing our own default probabilities, not using Moody's or Fitch's or S&P. as I told you where ours come from. So basically what it says is that not all As are the same. As rated by, in this case these are mostly Fitch. In our estimation. Some As are created better than other As at this point.