

# ZB, National Association

## *Covered Insured Depository Institution Resolution Plan*

July 1, 2018

### **Public Summary**

**PUBLIC SECTION**

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# Section 1: PUBLIC SECTION

## 1.1. Introduction

To ensure that depositors receive prompt access to their insured deposits in the event of an insured depository institution's (an "**IDI**") failure and to enable the FDIC to perform its resolution functions most efficiently, the FDIC has adopted a rule (the "**IDI Rule**") requiring each IDI with \$50 billion or more in total assets to periodically submit a resolution plan to the FDIC. ZB, National Association ("**ZBNA**") has \$50 billion or more in total assets and is consequently a covered insured depository institution ("**CIDI**") under the IDI Rule required to submit a resolution plan. This is ZBNA's first required plan submission under the IDI Rule.

In the unlikely event of material financial distress or failure, the ZBNA Resolution Plan could serve as/offers a roadmap to facilitate ZBNA's orderly resolution in a way that ensures that depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets and minimizes the amount of any loss to be realized by the institution's creditors. The applicable insolvency regime would be receivership under the Federal Deposit Insurance Act, as amended (the "**FDIA**").

In conformance with the rules and guidance provided by the FDIC, the ZBNA Resolution Plan assumes an idiosyncratic material financial distress or failure occurs under general economic conditions consistent with the macroeconomic variables provided in the Federal Reserve's baseline scenario and used in Zions Bancorporation's 2018 Capital Plan submitted to the Federal Reserve in April 2018.

Unless otherwise indicated, information in this Public Summary is provided as of December 31, 2017.

The ZBNA Resolution Plan provides for the rapid and orderly resolution of the the CIDI. The resolution options proposed are designed to ensure that the CIDI would be able to continue its operations during the period immediately following failure, minimizing impact to ZBNA's customers. ZBNA believes it has developed an effective and feasible resolution plan.

### ***ZB, National Association***

ZB, National Association ("**ZBNA**" or the "**CIDI**") is a commercial bank headquartered in Salt Lake City, Utah. It is the sole operating subsidiary of Zions Bancorporation, a financial holding company under the Bank Holding Company Act of 1956 (the "**BHC Act**") that is organized under Utah law and also headquartered in Salt Lake City.

On November 20, 2017, Zions Bancorporation announced management's intent to simplify its structure by merging Zions Bancorporation into ZBNA. If approved by various parties, including Zions Bancorporation's shareholders, the OCC, the FDIC and the Financial Stability Oversight Council ("**FSOC**"), the completion of this consolidation is expected to occur in the third quarter of 2018. This should result in no material change to the resolution strategy for ZBNA.

As of December 31, 2017, ZBNA constituted 99.7% of the assets of Zions Bancorporation and did business through 433 domestic branches in 11 western and southwestern states. It provides a full range of banking and related services through its divisions and other subsidiaries, primarily in Utah, California, Texas, Arizona, Nevada, Colorado, Idaho, Washington and Oregon. ZBNA does business under the eight regional brands that were separately chartered IDIs until December 31, 2015. Each division operates under separate local management, all of which report to central management.

ZBNA manages its operations and prepares management reports by these divisions, rather than by product- or customer-based business lines. Zions Bancorporation also segments its financial information for Securities and Exchange Commission ("**SEC**") reporting purposes by these divisions, although two of the divisions are combined into one reporting segment. The seven reporting segments are:

- Zions First National Bank ("**Zions Bank**"), doing business in Utah, Idaho and Wyoming.
- California Bank & Trust ("**CB&T**"), doing business in California.
- Amegy Bank, doing business in Texas.
- National Bank of Arizona ("**NBAZ**"), doing business in Arizona.
- Nevada State Bank ("**NSB**"), doing business in Nevada.
- Vectra Bank Colorado ("**Vectra**"), doing business in Colorado and New Mexico.
- The Commerce Bank of Washington ("**TCBW**"), doing business in Washington, which also includes reporting for The Commerce Bank of Oregon ("**TCBO**"), doing business in Oregon.

## **1.2. Summary of Resolution Plan**

### ***1.2.1. Names of Material Entities***

For purposes of this CIDI resolution plan, ZBNA is the only designated Material Entity (an "**ME**"). Zions Bancorporation and ZBNA (collectively, "**the Zions Group**") have no other MEs. ZBNA holds all core business lines and provides all critical services for the Zions Group. ZBNA is a national bank chartered and primarily supervised by the Office of the Comptroller of the Currency ("**OCC**"). Its deposits are insured by the Federal Deposit Insurance Corporation (the "**FDIC**"). Zions Bancorporation is the "parent company" for purposes of the CIDI Rule.

### ***1.2.2. Description of Core Business Lines***

ZBNA has determined that its Core Business Lines are its three largest geographic divisions—Zions Bank, Amegy Bank and CB&T. These also correspond with three of Zions Bancorporation's largest SEC reporting segments. They represent 66% of ZBNA's assets.

### 1.2.3. Summary of Financial Information Regarding Assets, Liabilities, Capital, and Major Funding Sources

The following balance sheet is based on ZBNA's Consolidated Report of Condition and Income, as filed with the FDIC on FFIEC Form 031 for year-end date of December 31, 2017.

#### Balance Sheet of CIDI

Exhibit 1.2.1. ZBNA Balance Sheet as of December 31, 2017 (\$ Thousands)	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin <sup>1</sup>	889,973
Interest-bearing balances <sup>2</sup>	439,373
Securities:	
Held to maturity securities	770,314
Available for sale securities	15,131,873
Federal funds sold:	
Federal funds sold	226,660
Securities purchased under agreements to resell <sup>3</sup>	286,932
Loans:	
Loans and leases held for sale	43,973
Loans and leases held for investment	44,779,981
LESS: Allowance for loan and lease losses	517,761
Loans and leases held for investment, net of allowance	44,262,220
Trading assets	184,487
Premises and fixed assets (including capitalized leases)	878,633
Other real estate owned	3,673
Investment in unconsolidated subsidiaries and associated companies	38,651
Direct and indirect investments in real estate ventures	80,955
Intangible assets	332,941
Goodwill	1,014,129
Other intangible assets	30,726
Other assets	1,797,939
<b>TOTAL ASSETS</b>	<b>66,080,511</b>
<b>LIABILITIES</b>	
Deposits:	
In domestic offices	52,996,205
Noninterest-bearing <sup>4</sup>	23,910,811
Interest-bearing	29,085,394

## Public Section

Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased	927,488
Securities sold under agreements to repurchase <sup>5</sup>	353,685
Trading liabilities	135,041
Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases)	3,600,544
Subordinated notes and debentures <sup>6</sup>	—
Other liabilities	453,619
<b>TOTAL LIABILITIES</b>	<b>58,466,582</b>
Perpetual preferred stock and related surplus	830,900
Common stock	30
Surplus	5,319,556
Retained earnings	1,603,654
Accumulated other comprehensive income	(140,211)
Other equity capital components	—
<b>TOTAL EQUITY CAPITAL</b>	<b>7,613,929</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>66,080,511</b>

1. Includes cash items in process of collection and unposted debits.
2. Includes time certificates of deposit not held for trading.
3. Includes all securities resale agreements, regardless of maturity.
4. Includes total demand deposits and noninterest-bearing time and savings deposits.
5. Includes all securities repurchase agreements, regardless of maturity.
6. Includes limited-life preferred stock and related surplus.

### Regulatory Capital

Quantitative measures established by regulation to ensure capital adequacy require ZBNA to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in banking agencies' Basel III-based capital rules) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2017, all ZBNA's capital ratios exceeded the "well-capitalized" levels under the regulatory framework for prompt corrective action.

Exhibit 1.2.2. ZBNA Capital Ratios as of December 31, 2017 (\$ Millions)				
Transitional Basis Basel III Regulatory Capital Rules	December 31, 2017		To be well-capitalized	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	\$ 7,306	14.2%	\$ 5,130	10.0%
Tier 1 capital (to risk-weighted assets)	6,730	13.1%	4,104	8.0%
Common equity tier 1 capital (to risk-weighted assets)	5,899	11.5%	3,334	6.5%
Tier 1 capital (to average assets)	6,730	10.4%	3,227	5.0%

### Funding and Liquidity Management

Management implements a Board of Directors-adopted corporate liquidity and funding policy that provides principles for maintaining adequate liquidity, diversifying funding positions,

monitoring liquidity at ZBNA and Zions Bancorporation, and anticipating future funding needs. The policy also includes liquidity ratio guidelines, for example, the “time to required funding” and fixed charge coverage ratios that are used to monitor the liquidity positions of Zions Bancorporation and ZBNA, as well as various stress test and liquid asset measurements for the liquidity of Zions Bancorporation and ZBNA.

Zions Bancorporation and ZBNA maintain sufficient liquidity to finance loan commitments, repay demand deposits and maturing time deposits and debt, and meet all other anticipated and unanticipated funding commitments, in both normal operating circumstances as well as in situations of market, industry or company-specific stress. In addition, Zions Bancorporation and ZBNA seek to maintain sufficient liquidity to comply with regulatory guidelines.

The liquidity of the Zions Group is managed at the ZBNA and Zions Bancorporation levels. Zions Bancorporation and ZBNA monitor and avoid large concentrations in investment assets that could become illiquid during a financial downturn, such as complex, structured asset-backed securities, BOLI, equity investments and non-rated municipal securities. Zions Bancorporation and ZBNA maintain a level of highly liquid securities and cash-equivalent positions not subject to significant credit risk, enabling them to satisfy time-to-required funding and other guidelines under stress.

Zions Bancorporation also deposits excess liquidity in an account with ZBNA. ZBNA manages these deposits consistent with its overall liquidity strategy.

#### ***1.2.4. Description of Derivative and Hedging Activities***

The Zions Group’s objectives in using derivatives are primarily to modify the duration of specific assets or liabilities or the duration of equity of the Zions Group as it considers advisable, to manage exposure to interest rate movements or other identified risks, and/or to directly offset derivatives sold to customers of ZBNA. To accomplish these objectives, the Zions Group has used, among other instruments, interest rate swaps as part of its cash flow hedging strategy. These derivatives are used to hedge the variable cash flows associated with designated commercial loans.

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. The Zions Group controls 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.

The Zions Group’s interest rate risk management strategy involves the use of hedging to mitigate its exposure to potential adverse effects from changes in interest rates. 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 accounting hedges, including basis swap agreements, are not speculative and are used to economically manage the Company’s exposure to interest rate movements and other identified risks, but do not meet the strict hedge accounting requirements.

The derivative contracts used by the Zions Group are exchange-traded or Over-the-Counter (“**OTC**”). Exchange-traded derivatives consist of forward currency exchange contracts, which are part of ZBNA’s services provided to commercial customers. OTC derivatives consist of interest rate swaps, options, and futures contracts. These financial instruments involve, to varying degrees, elements of credit, liquidity, and interest rate risk in excess of the amounts recognized in the balance sheet. ZBNA offers its customers interest rate swaps to assist them in managing their exposure to fluctuating interest rates. Upon issuance, all of these customer swaps are immediately “hedged” by offsetting derivative contracts, such that ZBNA minimizes its net risk exposure resulting from such transactions. Fee income from customer swaps is included in other service charges, commissions, and fees.

No derivatives have been designated for hedges of investments in foreign operations.

The Zions Group records all derivatives at fair value on the balance sheet. When quoted market prices are not available, the valuation of derivative instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. These future net cash flows, however, are susceptible to change due primarily to fluctuations in interest rates (most significantly), and foreign exchange rates. As a result, the estimated values of these derivatives will change over time as cash is received and paid and as market conditions change. As these changes take place, they may have a positive or negative impact on the Zions Group’s estimated valuations.



### **1.2.5. Memberships in Material Payment, Clearing and Settlement Systems**

ZBNA depends on payment, clearing, and settlement systems to facilitate its day-to-day operations. ZBNA engages in cash and securities transactions across the following payment, clearing and settlement systems:

<b>Exhibit 1.2.3. Memberships in Material Payment, Clearing and Settlement Systems</b>	
<b>Network</b>	<b>Description</b>
Automated Clearing House (“ACH”)	Electronic network for financial transactions, credit and debit batches, in the United States
FedACH Services	Payment services that enable an electronic exchange of debit and credit transactions through the ACH network
Fedwire	Gross settlement system that enables the bank to send or receive payments on its own behalf or for clients, settle commercial payments or positions with other financial institutions or clearing arrangements, submit federal tax payments or buy and sell federal funds
SWIFT	Global network that allows financial institutions to send and receive information about financial transactions
ACI Money Transfer System	Multibank, multicurrency solution that provides payments processing capabilities
VISA	Global electronic payments
MasterCard	Global electronic payments
National ACH Association (NACHA)	Rule-making and governing organization for the ACH network
Western Payments Alliance (WesPay)	Regional payments association located in the western United States.
Payments Association Member (Regional Payments Association)	Regional Payments

### **1.2.6. Description of Foreign Operations**

ZBNA has no foreign operations.

### **1.2.7. Material Supervisory Authorities**

The banking and financial services business in which ZBNA engages is highly regulated. Such regulation is intended, among other things, to improve the stability of banking and financial companies and to protect the interests of customers, including both loan customers and depositors. ZBNA is primarily supervised by the OCC, and is subject to supervision and regulation by the FDIC, Federal Reserve, and Consumer Financial Protection Bureau.

**1.2.8. Principal Officers**

Members of ZBNA executive management hold corresponding officer titles with Zions Bancorporation. The names and titles of key officers and management as appointed by the Board of Directors, effective as of the date of this submission, are listed below.

<b>Exhibit 1.2.4. Principal Officers</b>	
<b>Name</b>	<b>Position</b>
Harris H. Simmons	Chairman and Chief Executive Officer
Scott J. McLean	President and Chief Operating Officer
Bruce K. Alexander	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA Vectra Bank Colorado Division
A. Scott Anderson	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA Zions First National Bank Division
David E. Blackford	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA California Bank & Trust Division
Paul E. Burdiss	Executive Vice President and Chief Financial Officer
Alan Forney	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA The Commerce Bank of Washington Division
Dianne R. James	Executive Vice President, Chief Human Resources Officer
Thomas E. Laursen	Executive Vice President, General Counsel and Secretary
LeeAnne B. Linderman	Executive Vice President, Retail Banking
Keith D. Maio	Executive Vice President, Chief Banking Officer
Michael Morris	Executive Vice President, Chief Credit Officer
Joseph L. Reilly	Executive Vice President, Chief Technology Strategist
Rebecca Robinson	Executive Vice President, Wealth Management
Edward P. Schreiber	Executive Vice President, Chief Risk Officer
Terry Shirey	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA Nevada State Bank Division
Jennifer A. Smith	Executive Vice President, Chief Information Officer
Steven D. Stephens	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA Amegy Bank Division
Mark Young	Zions Bancorporation Executive Vice President; Chief Executive Officer of ZBNA National Bank of Arizona Division

### ***1.2.9. Resolution Planning Corporate Governance Structure and Processes***

ZBNA has developed a strong governance framework with respect to its resolution planning obligations and is committed to maintaining strong, consistent, sustainable risk management practices and high standards of ethics and sound corporate governance, including management of the CIDI's affairs by a strong, qualified, and active board exercising independent judgment and effective risk oversight for the benefit of its shareholders and other constituencies. This framework has been informed by ZBNA's resolution planning experience with Zions Bancorporation since the adoption of the Dodd-Frank Act.

ZBNA continues to commit significant internal and external resources to the preparation of its resolution plan. Key participants in the resolution governance structure include a dedicated resolution planning team within ZBNA's risk management framework. In addition, personnel across the businesses, operations, technology, finance, treasury, risk, legal, compliance, audit, and other functions are involved in developing, reviewing, and challenging the resolution plan. This resolution plan has been reviewed by the Risk Oversight Committee of the Board of Directors and was approved by the Board on June 1, 2018.

### ***1.2.10. Description of Material Management Information Systems***

The Zions Group has dedicated significant resources to the development, maintenance, and management of comprehensive information technology and management information systems ("MIS") to enable business operations, transactions, risk management, accounting, and enable the creation of financial, regulatory compliance, and business management reports.

As part of the information collection process in the preparation of this resolution plan, the CIDI identified MIS deemed material to its operations. Policies and procedures that govern the MIS environment are well established and are updated based on regulatory requirements, business needs, and changes to the environment. The Zions Group's risk governance framework drives the controls such as change management, incident management, information security, business continuity and disaster recovery that ensure a dependable and robust MIS environment. ZBNA has processes in place to provide regulators access to key MIS in the unlikely event that ZBNA were to be placed in receivership.

### ***1.2.11. High-level Description of Resolution Strategy***

ZBNA has developed resolution strategies in accordance with the requirements set forth by the FDIC. Based on an idiosyncratic failure event for this plan that results in prompt corrective action by the OCC and the FDIC. The Resolution Plan is based on the CIDI at December 31, 2017, and assumes a business as usual environment prior to the failure event. The CIDI has utilized the economic forecast assumptions provided by the Federal Reserve Board's comprehensive capital analysis and review assessment framework for 2018. We note, however, that ZBNA is not experiencing a financial or other event at this point in time that would provide the level of impact reflected in the Resolution Plan.

The alternative resolution strategies identified for the FDIC's consideration are intended to maximize value for the receivership, incur the least cost to the FDIC's deposit insurance fund,

ensure access to the CIDI's insured deposits within one business day, and limit contagion and loss of franchise value that might be caused by a lengthy resolution process.

**Single or Multiple Acquirers - Purchase and Assumption:** The FDIC could establish a new nationally chartered bridge bank and transfers assets and deposits to the bridge bank, which would then be sold either to a single third-party purchaser, or by geographic division to multiple purchasers. There is an adequate population of potential buyers so that a competitive bidding process could be conducted to sell ZBNA, either as a single unit or as separate geographic divisions, as a going concern. Potential buyers are likely to be global systemically important financial institutions, large domestic banks or regional banks. Even in material financial distress or receivership, ZBNA would likely maintain significant franchise value and be seen as an attractive acquisition target.

**Multiple Acquirer - IPO:** The FDIC could establish a new nationally chartered bridge bank and transfers assets and deposits to the bridge bank. Some of the geographic divisions could be sold through purchase and assumption transactions to reduce the size of the bridge bank, which could then be sold in an initial public offering after a stabilization period.

**Liquidation:** The FDIC could immediately return insured deposits and sell assets at a rapid, highly discounted rate.