# Section 1: 10-K (10-K)

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2018**

**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, NATIONAL ASSOCIATION

(Exact name of Registrant as specified in its charter)

| **UNITED STATES OF AMERICA** | **87-0227400** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (Internal Revenue Service Employer Identification Number) |
| **One South Main**<br>**Salt Lake City, Utah** | **84133** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant's telephone number, including area code: (801) 844-7637**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, par value $0.001 | The NASDAQ Stock Market LLC |
| Warrants to Purchase Common Stock (expiring May 22, 2020) | The NASDAQ Stock Market LLC |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series G Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| Depositary Shares each representing a 1/40th ownership interest in a share of Series H 5.75% Non-Cumulative Perpetual Preferred Stock | New York Stock Exchange |
| 6.95% Fixed-to-Floating Rate Subordinated Notes due September 15, 2028 | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act:** None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ | Emerging growth company ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☐ | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

| | |
|---|---|
| Aggregate Market Value of Common Stock Held by Non-affiliates at June 30, 2018 | $10,131,230,197 |
| Number of Common Shares Outstanding ($0.001 par value) at February 8, 2019 | 186,159,654 shares |

**Documents Incorporated by Reference: Portions of the Banks' Proxy Statement – Incorporated into Part III**

# FORM 10-K TABLE OF CONTENTS


| | | Page |
|---|---|---|
| | **PART I** | |
| Item 1. | Business | 6 |
| Item 1A. | Risk Factors | 14 |
| Item 1B. | Unresolved Staff Comments | 24 |
| Item 2. | Properties | 24 |
| Item 3. | Legal Proceedings | 24 |
| Item 4. | Mine Safety Disclosures | 24 |
| | **PART II** | |
| Item 5. | Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 24 |
| Item 6. | Selected Financial Data | 26 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 27 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 73 |
| Item 8. | Financial Statements and Supplementary Data | 74 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 143 |
| Item 9A. | Controls and Procedures | 143 |
| Item 9B. | Other Information | 143 |
| | **PART III** | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 143 |
| Item 11. | Executive Compensation | 143 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 143 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 144 |
| Item 14. | Principal Accounting Fees and Services | 144 |
| | **PART IV** | |
| Item 15. | Exhibits, Financial Statement Schedules | 144 |
| Signatures | | 150 |

# PART I

## FORWARD-LOOKING INFORMATION

This annual report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Statements in this Annual Report on Form 10-K that are based on other than historical information, or that express the Bank's expectations regarding future events or determinations, are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations or forecasts of future events and include, among others:

- statements with respect to the beliefs, plans, objectives, goals, targets, commitments, designs, guidelines, expectations, anticipations, and future financial condition, results of operations and performance of Zions Bancorporation, National Association and its subsidiaries (collectively "Zions Bancorporation, N.A.," "the Bank," "we," "our," "us"); and
- statements preceded by, followed by, or that include the words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "target," "commit," "design," "plan," "projects," and the negative thereof and similar words and expressions.

Zions Bancorporation, National Association is the successor to Zions Bancorporation by merger of Zions Bancorporation into ZB, N.A. on September 30, 2018. References to "Zions Bancorporation, N.A.," "the Bank," "we," "our," and "us" are intended to refer to Zions Bancorporation and its subsidiaries for periods prior to the merger and to Zions Bancorporation, National Association, and its subsidiaries for periods on and after the merger.

These forward-looking statements are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, including without limitation, future financial and operating results. Actual results may differ materially from those presented, either expressed or implied, including, but not limited to, those presented in Management's Discussion and Analysis ("MD&A"). Important risk factors that may cause such material differences include, but are not limited to:

- the Bank's ability to successfully execute its business plans, manage its risks, and achieve its objectives, including its operating leverage;
- the impact of acquisitions, dispositions, and corporate restructurings;
- increases in the levels of losses, customer bankruptcies, bank failures, claims, and assessments;
- the ability of the Bank to retain and recruit executives and other personnel necessary for their businesses and competitiveness;
- changes in local, national and international political and economic conditions, including without limitation the political and economic effects of the fiscal imbalance in the United States ("U.S.") and other countries, potential or actual downgrades in ratings of sovereign debt issued by the United States and other countries, and other major developments, including wars, military actions, and terrorist attacks;
- changes in financial and commodity market prices and conditions, either internationally, nationally or locally in areas in which the Bank conducts its operations, including without limitation rates of business formation and growth, commercial and residential real estate development, real estate prices, agricultural-related commodity prices, and oil and gas-related commodity prices;
- changes in markets for equity, fixed income, commercial paper and other securities, commodities, including availability, market liquidity levels, and pricing;
- changes in interest rates, the quality and composition of the loan and securities portfolios, demand for loan products, deposit flows and competition;
- the rate of change of the Bank's interest-sensitive assets and liabilities relative to changes in benchmark interest rates;
- changes in fiscal, monetary, regulatory, trade and tax policies and laws, and regulatory assessments and fees, including policies of the U.S. Department of Treasury, the Office of the Comptroller of the Currency ("OCC"),

the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation ("FDIC"), the Securities and Exchange Commission ("SEC"), and the Consumer Financial Protection Bureau ("CFPB");

- changes in consumer spending and savings habits;
- inflation and deflation;
- increased competitive challenges and expanding product and pricing pressures among financial institutions;
- legislation or regulatory changes which adversely affect the Bank's operations or business;
- the Bank's ability to comply with applicable laws and regulations;
- costs of deposit insurance and changes with respect to FDIC insurance coverage levels;
- any impairment of our goodwill or other intangibles, or any adjustment of valuation allowances on our deferred tax assets ("DTAs") due to adverse changes in the economic environment, declining operations of the reporting unit, or a change to the corporate statutory tax rate or other similar changes if and as implemented by local and national governments, or other factors;
- the impact of rules and regulations on our required regulatory capital and liquidity levels, governmental assessments on us, the scope of business activities in which we may engage, the manner in which we engage in such activities, and the fees we may charge for certain products and services;
- uncertainties related to the application of the National Bank Act of 1863, 12 U.S.C. 38 (the "National Bank Act") and OCC regulations to the Bank's corporate affairs as more fully described under "*Risk Factors*";
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board ("FASB") or regulatory agencies;
- risks and uncertainties related to the ability to obtain shareholder and regulatory approvals when required, or the possibility that such approvals may be delayed;
- new legal claims against the Bank, including litigation, arbitration and proceedings brought by governmental or self-regulatory agencies, or changes in existing legal matters;
- economies of scale attendant to the development of digital and other technologies by much larger bank and non-bank competitors, and the possible entry of technology "platform" companies into the financial services business;
- the Bank's ability to develop and maintain secure and reliable information technology systems, including as necessary to guard against fraud, cybersecurity and privacy risks; and
- the Bank's implementation of new technologies.

Except to the extent required by law, the Bank specifically disclaims any obligation to update any factors or to publicly announce the result of revisions to any of the forward-looking statements included herein to reflect future events or developments.

## GLOSSARY OF ACRONYMS AND ABBREVIATIONS

| | | | |
|---|---|---|---|
| ACL | Allowance for Credit Losses | BOLI | Bank-Owned Life Insurance |
| AFS | Available-for-Sale | bps | basis points |
| ALCO | Asset/Liability Committee | CB&T | California Bank & Trust, a division of Zions Bancorporation, National Association |
| ALLL | Allowance for Loan and Lease Losses | CCAR | Comprehensive Capital Analysis and Review |
| Amegy | Amegy Bank, a division of Zions Bancorporation, National Association | CCPA | California Consumer Privacy Act of 2018 |
| AOCI | Accumulated Other Comprehensive Income | CET1 | Common Equity Tier 1 (Basel III) |
| ASC | Accounting Standards Codification | CFPB | Consumer Financial Protection Bureau |
| ASU | Accounting Standards Update | CLTV | Combined Loan-to-Value Ratio |
| ATM | Automated Teller Machine | CMC | Capital Management Committee |
| COSO | Committee of Sponsoring Organizations of the Treadway Commission | NBAZ | National Bank of Arizona, a division of Zions Bancorporation, National Association |

| | | | |
|---|---|---|---|
| CRA | Community Reinvestment Act | NIM | Net Interest Margin |
| Crapo Bill | The Economic Growth, Regulatory Relief, and Consumer Protection Act | NRE | National Real Estate |
| CRE | Commercial Real Estate | NSB | Nevada State Bank, a division of Zions Bancorporation, National Association |
| CSA | Credit Support Annex | NSFR | Net Stable Funding Ratio |
| CSV | Cash Surrender Value | OCC | Office of the Comptroller of the Currency |
| DFAST | Dodd-Frank Act Stress Test | OCI | Other Comprehensive Income |
| Dodd-Frank Act | Dodd-Frank Wall Street Reform and Consumer Protection Act | OREO | Other Real Estate Owned |
| DTA | Deferred Tax Asset | OTTI | Other-Than-Temporary Impairment |
| EaR | Earnings at Risk | PAGA | Private Attorney General Act |
| EITF | Emerging Issues Task Force | PCAOB | Public Company Accounting Oversight Board |
| ERM | Enterprise Risk Management | PCI | Purchased Credit-Impaired |
| ERMC | Enterprise Risk Management Committee | PEI | Private Equity Investment |
| EVE | Economic Value of Equity at Risk | PPNR | Pre-provision Net Revenue |
| Exchange Act | Securities Exchange Act of 1934 | ROC | Risk Oversight Committee |
| FAMC | Federal Agricultural Mortgage Corporation, or “Farmer Mac” | ROTCE | Return on Average Tangible Common Equity |
| FASB | Financial Accounting Standards Board | RSU | Restricted Stock Unit |
| FDIC | Federal Deposit Insurance Corporation | RULC | Reserve for Unfunded Lending Commitments |
| FDICIA | Federal Deposit Insurance Corporation Improvement Act | S&P | Standard and Poor's |
| FHLB | Federal Home Loan Bank | SAB 118 | Staff Accounting Bulletin No. 118 |
| FINRA | Financial Industry Regulatory Authority | SBA | Small Business Administration |
| FRB | Federal Reserve Board | SBIC | Small Business Investment Company |
| FSOC | Financial Stability Oversight Council | SEC | Securities and Exchange Commission |
| FTP | Funds Transfer Pricing | SIFI | Systemically Important Financial Institution |
| GAAP | Generally Accepted Accounting Principles | SOFR | Secured Overnight Financing Rate |
| GDPR | General Data Protection Regulation | TARP | Troubled Asset Relief Program |
| HECL | Home Equity Credit Line | TCBO | The Commerce Bank of Oregon, a division of Zions Bancorporation, National Association |
| HTM | Held-to-Maturity | TCBW | The Commerce Bank of Washington, a division of Zions Bancorporation, National Association |
| IMG | International Manufacturing Group | TDR | Troubled Debt Restructuring |
| ISDA | International Swaps and Derivatives Association | The Act | Tax Cuts and Jobs Act of 2017 |
| KBW | Keefe, Bruyette & Woods, Inc. | Tier 1 | Common Equity Tier 1 (Basel III) and Additional Tier 1 Capital |
| KRX | Regional Bank Index | Topic 606 | ASC Topic 606, “Revenue from Contracts with Customers” |
| LCR | Liquidity Coverage Ratio | U.S. | United States |
| LIBOR | London Interbank Offered Rate | USA Patriot Act | Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 |
| MD&A | Management’s Discussion and Analysis | Vectra | Vectra Bank Colorado, a division of Zions Bancorporation, National Association |
| Municipalities | State and Local Governments | VIE | Variable Interest Entity |
| NASDAQ | National Association of Securities Dealers Automated Quotations | Zions Bancorporation, N.A. | Zions Bancorporation, National Association |
| NAV | Net Asset Value | Zions Bank | Zions Bank, a division of Zions Bancorporation, National Association |

## ITEM 1. BUSINESS

### DESCRIPTION OF BUSINESS

Zions Bancorporation, National Association and its subsidiaries (collectively "Zions Bancorporation, N.A.," "the Bank," "we," "our," "us") is a national commercial bank headquartered in Salt Lake City, Utah. The Bank owns and operates 433 branches at year-end 2018. The Bank provides a full range of banking and related services, primarily in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. The Bank conducts its operations through seven separately managed and branded segments, which we sometimes refer to as "affiliates" or by reference to their respective brands. Full-time equivalent employees totaled 10,201 at December 31, 2018. For further information about the Bank's industry segments, see "Business Segment Results" on page 43 in MD&A and Note 21 of the Notes to Consolidated Financial Statements. For information about the Bank's foreign operations, see "Foreign Exposure and Operations" on page 50 in MD&A. The "Executive Summary" on page 31 in MD&A provides further information about the Bank.

### PRODUCTS AND SERVICES

The Bank focuses on providing community banking services by continuously strengthening its core business lines of (1) small- and medium-sized business and corporate banking; (2) commercial and residential development, construction and term lending; (3) retail banking; (4) treasury cash management and related products and services; (5) residential mortgage lending and servicing; (6) trust and wealth management; (7) limited capital markets activities, including municipal finance advisory and underwriting; and (8) investment activities. It operates primarily through seven geographic regions, each with its own local branding, chief executive officer and management team.

In addition to providing a wide variety of commercial products and services, the Bank provides a range of personal banking services to individuals, including home mortgages, bankcard, other installment loans, home equity lines of credit, checking accounts, savings accounts, certificates of deposit of various types and maturities, trust services, safe deposit facilities, and Internet and mobile banking. The Bank provides services to key market segments through its Private Client Services and Executive Banking Groups. It offers self-directed brokerage services through Zions Direct and also offers comprehensive and personalized wealth management and investment services.

The Bank has built specialized lines of business in capital markets and public finance and is a leader in small business administration ("SBA") lending. The Bank is one of the nation's largest providers of SBA 7(a) and SBA 504 financing to small businesses. It owns an equity interest in FAMC and is its top originator of secondary market agricultural real estate mortgage loans. The Bank provides finance advisory and corporate trust services for municipalities. The Bank also provides bond transfer, stock transfer, and escrow services nationally in its corporate trust business.

### COMPETITION

The Bank operates in a highly competitive environment. The Bank's most direct competition for loans and deposits comes from other commercial banks, credit unions, and thrifts, including institutions that do not have a physical presence in our market footprint but solicit via the Internet and other means. In addition, the Bank competes with finance companies, mutual funds, insurance companies, brokerage firms, securities dealers, investment banking companies, financial technology and other non-traditional lending and banking companies, and a variety of other types of companies. These companies may have fewer regulatory constraints and some have lower cost structures or tax burdens.

The primary factors in competing for business include the quality of service delivered, our local community knowledge, convenience of office locations, online banking functionality and other delivery methods, range of products offered, pricing and the overall relationship with our clients. The Bank must compete effectively along all of these dimensions to remain successful.

## SUPERVISION AND REGULATION

This section describes the material elements of selected laws and regulations applicable to the Bank. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable laws or regulations, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business and results of the Bank.

On September 30, 2018, we completed the merger of Zions Bancorporation, the Bank's former holding company, with and into Zions Bancorporation, N.A., sometimes referred to herein as the "restructuring." More information about the restructuring and its effects can be found in the proxy statement filed by Zions Bancorporation with the SEC on July 24, 2018. In connection with completing the restructuring, we also received approval of an application filed with the Financial Stability Oversight Council ("FSOC") seeking a determination that the Bank is not "systemically important" as defined by provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). As a result of the restructuring and FSOC approval:

- The Bank is the top-level publicly-traded entity within our corporate structure.
- The Bank is no longer subject to:
  - Examinations by the Board of Governors of the Federal Reserve System ("FRB"). The Bank's primary regulator is the OCC and continues to be subject to examinations by the Bureau for Consumer Finance Protection, commonly referred to as the CFPB, with respect to consumer financial regulations;
  - Certain requirements of the Dodd-Frank Act, as more fully described below;
  - The Securities Act of 1933, as amended (the "Securities Act"), but remains subject to the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including the reporting requirements thereunder. However, this will not inhibit the Bank's ability to raise capital. The Bank is subject to OCC regulations governing securities offerings and continues to make filings required under the Exchange Act with the SEC as a voluntary filer.

The banking and financial services business in which we engage is and remains 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, and taxpayers. These regulations are not, however, generally intended to protect the interests of our shareholders or creditors, and in fact may have the consequence of reducing returns to our shareholders. Banking laws and regulations promulgated thereunder have given financial regulators expanded powers over many aspects of the financial services industry, which have reduced and may continue to reduce returns earned by shareholders.

Legislative changes to laws governing the financial industry occur frequently; some of this legislation materially affects the manner in which we and other financial institutions operate, including increasing the costs and other burdens of conducting our businesses. In addition, the banking agencies regularly promulgate new regulations or modify existing regulations, which also have significant impact on the financial industry. The content and impact of such regulatory changes cannot presently be determined. The Bank is committed to both satisfying regulatory expectations and providing attractive shareholder returns. However, given the ever-evolving regulatory environment, the results of these efforts cannot yet be known.

### *General*

The Bank is subject to the provisions of the National Bank Act and other statutes governing national banks, as well as the rules and regulations of the OCC, the CFPB, and the FDIC. It is also subject to examination and supervision by the OCC and examination by the CFPB in respect of federal consumer financial regulations. The Bank, as well as some of its subsidiaries, is also subject to regulation by other federal and state agencies. These regulatory agencies may exert considerable influence over our activities through their supervisory and examination roles. Our brokerage and investment advisory subsidiaries are regulated by the SEC, Financial Industry Regulatory Authority ("FINRA") and/or state securities regulators.

***The National Bank Act***

Prior to the restructuring, Zions Bancorporation's corporate affairs were governed by Utah state law and securities law matters were governed by the federal securities laws, including the Securities Act and Exchange Act, as administered by the SEC. Each of these legal regimes is well-developed and used widely by public companies.

Following the restructuring, the Bank's corporate affairs are governed by the National Bank Act and related regulations administered by the OCC. With respect to securities matters, the Bank is not subject to the Securities Act, but is subject to OCC regulations governing securities offerings. The Bank's common stock and certain other securities are registered or deemed registered under the Exchange Act, which vests the OCC with the power to administer and enforce certain sections of the Exchange Act applicable to banks such as the Bank, though the Bank continues to make filings required by the Exchange Act with the SEC as a voluntary filer. These statutory and regulatory regimes are not as well developed as the corporate and securities law regimes applicable to many other publicly held corporations. See discussion under "*Risk Factors*."

***The Dodd-Frank Act***

The Dodd-Frank Act and related regulations broadly affect the financial services industry. Among other things, the Dodd-Frank Act involves mandatory divestiture of certain equity investments, increasing regulation of executive and incentive-based compensation, requiring banks to pay increased fees to regulatory agencies, and requiring numerous other provisions aimed at strengthening the sound operation of the financial services sector.

Regulations promulgated under the Dodd-Frank Act require many banks to maintain greater levels of capital and liquid assets than was generally the case prior to the enactment of the Dodd-Frank Act and limit the forms of capital that such banks rely upon for regulatory purposes. Certain bank holding companies and other financial institutions, known as systemically important financial institutions, or SIFIs, are required to adhere to "enhanced prudential supervision" requirements of the Dodd-Frank Act and the annual Comprehensive Capital Analysis ("CCAR") process administered by the FRB, which in effect requires SIFIs to maintain capital based on hypothetical scenarios dictated by the FRB. As a result of the restructuring and FSOC approval, the Bank is no longer subject to these requirements (including the prior non-objection requirement under CCAR for declaring any dividends or share repurchases), or the liquidity and capital requirements applicable to SIFIs. However, the Bank continues to be subject to the OCC's heightened standard guidelines, which establish enhanced requirements for national banks with assets of $50 billion or more, and other regulatory requirements that reduce its flexibility to return capital to shareholders and respond to market developments and opportunities in such areas as capital raising and acquisitions. Additionally, in May 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act, also known as "the Crapo Bill," was signed into law, reducing regulatory requirements for many banking institutions and exempting the Bank from the capital planning actions as required by the Dodd-Frank Act.

The Dodd-Frank Act's provisions and related regulations also affect the fees we must pay to regulatory agencies and the pricing of certain products and services, including the following:

- The assessment base for federal deposit insurance was changed to consolidated assets less tangible capital instead of the amount of insured deposits.
- The federal prohibition on the payment of interest on business transaction accounts was repealed.
- The FRB was authorized to issue and did issue regulations governing debit card interchange fees.

The Dodd-Frank Act also created the CFPB, which is responsible for promulgating regulations designed to protect consumers' financial interests and examining large financial institutions for compliance with, and enforcing, those regulations. The Dodd-Frank Act adds prohibitions on unfair, deceptive or abusive acts and practices to the scope of consumer protection regulations overseen and enforced by the CFPB. The Dodd-Frank Act subjected national banks to the possibility of further regulation by restricting the preemption of state laws by federal laws. Restricting the scope of federal preemption could burden national banks with the requirement that they also comply with certain state laws covering matters already covered by federal law. In addition, the Dodd-Frank Act gives greater power to state attorneys general to pursue legal actions against banking organizations for violations of federal law.

The Bank and other companies subject to the Dodd-Frank Act are subject to a number of requirements regarding the time, manner and form of compensation given to its key executives and other personnel receiving incentive compensation, which are being imposed through the supervisory process as well as published guidance and proposed rules. These restrictions imposed by the Dodd-Frank Act include documentation and governance, deferral, risk-balancing, and clawback requirements. Any deficiencies in compensation practices that are identified may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or engage in other activities, or could result in regulatory enforcement actions.

During the second quarter of 2016, the U.S. financial regulators, including the FRB and the SEC, proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets (including the Bank). The proposed revised rules would establish general qualitative requirements applicable to all covered entities, additional specific requirements for entities with total consolidated assets of at least $50 billion, such as the Bank, and further, more stringent requirements for those with total consolidated assets of at least $250 billion. The general qualitative requirements include: (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements; and (v) mandating appropriate record-keeping. For larger financial institutions, including the Bank, the proposed revised regulations would also introduce very prescriptive requirements relating to the types and percentages, the timing of the realization, and the risk of forfeiture of incentive compensation awarded to "senior executive officers" and "significant risk-takers." The regulators have not yet issued any final rules.

***Capital Standards - Basel Framework***

In 2013, the FRB, FDIC, and OCC published final rules (the "Basel III capital rules") establishing a new comprehensive capital framework for U.S. banking organizations. The Basel III capital rules effectively replaced the Basel I capital rules and implemented the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Bank, compared to the Basel I U.S. risk-based capital rules. The Basel III capital rules became effective for the Bank on January 1, 2015 and were subject to phase-in periods for certain of their components. In November 2017, the FRB, FDIC and OCC published a final rule that extended the 2017 transition provisions for certain U.S. Basel III capital rules for non-advanced approaches banks, such as the Bank. Effective January 1, 2018, the final rule retains the 2017 Basel III transitional treatment of certain DTAs and mortgage servicing assets, among others. As a result, since January 1, 2018, our DTAs and mortgage servicing assets retained their 2017 risk weight treatment until the federal banking regulators revise the extended transitional treatment under the November 2017 transitional rule.

The Basel III capital rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III capital rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replaced the risk-weighting approach derived from Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 Basel II capital accords. The Basel III capital rules also implemented the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules.

The Basel III capital rules, among other things, (i) introduced a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specified that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) applied most deductions/adjustments to regulatory capital measures to CET1 and not to the other components of capital, thus potentially requiring higher levels of CET1 in order to meet minimum ratios, and (iv) expanded the scope of the deductions/adjustments from capital as compared to prior regulations.

Under the Basel III capital rules, the minimum capital ratios are as follows:

- 4.5% CET1 to risk-weighted assets;

- 6.0% Tier 1 capital (i.e., CET1 plus Additional Tier 1) to risk-weighted assets;
- 8.0% Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

As of January 1, 2019, the Basel III capital rules also require the Bank to maintain a 2.5% "capital conservation buffer" designed to absorb losses during periods of economic stress, composed entirely of CET1, on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The severity of the constraint depends on the amount of the shortfall and the institution's "eligible retained income" (that is four quarter trailing net income, net of distributions and tax effect not reflected in net income).

The Basel III capital rules also prescribed a standardized approach for calculating risk-weighted assets that expanded the risk-weighting categories from Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. Government and agency securities, to 600% for certain equity exposures, to 1,250% for certain securitization exposures, and resulting in higher risk weights for a variety of asset categories. In addition, the Basel III capital rules provided more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increased the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

The Basel III capital rules provided for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, DTAs dependent upon future taxable income, and significant investments in common equity issued by nonconsolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. The application of this part of the rule did not result in any deductions from CET1 for us.

Under prior Basel I capital standards, the effects of accumulated other comprehensive income ("AOCI") items included in capital were excluded for purposes of determining regulatory capital and capital ratios. As a "non-advanced approaches banking organization," we made a one-time permanent election as of January 1, 2015 to continue to exclude these items, as allowed under the Basel III capital rules.

Basel III also required additional regulatory capital disclosures to be made that are commonly referred to as "Pillar 3" disclosures. These disclosures require the Bank to make prescribed regulatory disclosures on a quarterly basis regarding its capital structure adequacy and risk-weighted assets. The Bank began publishing these Pillar 3 disclosures in 2015, and such disclosures are available on the Bank's website.

The Basel Committee has issued a series of updates that propose other changes to capital regulations. In one of these, the Basel Committee finalized a revised framework for calculating minimum capital requirements for market risk, which is expected to increase market risk capital requirements for most banking organizations. The Basel Committee has set an effective date for reporting under the revised framework for market risk capital of January 1, 2022. The U.S. federal bank regulatory agencies have not yet proposed rules implementing these revisions for U.S. banking organizations. The Bank met all capital adequacy requirements under the Basel III capital rules as of December 31, 2018.

***Capital Planning and Stress Testing***

As a result of the successful completion of the restructuring and FSOC approval described elsewhere in this report, and the enactment of the Crapo Bill, the Bank is no longer required to participate in the FRB's CCAR process or publicly disclose the results of stress testing or the Bank's proposed capital actions. However, the Bank intends to continue to release the results of its internal stress tests, published to its website, as stress testing is the Bank's

primary method of assessing capital adequacy. Prior to elimination of this requirement, however, the Bank submitted its 2018 capital plan and stress test results to the FRB. In its capital plan, the Bank was required to forecast for nine quarters, under a variety of hypothetical economic scenarios, its estimated regulatory capital ratios, and its generally accepted accounting principles (“GAAP”) tangible common equity ratio. On June 21, 2018, we filed a Form 8-K with the SEC presenting the results of the Bank’s 2018 Dodd-Frank Act stress tests (“DFAST”). The results of the stress test demonstrated that the Bank had sufficient capital to withstand a severe hypothetical economic downturn. Detailed disclosure of the Bank’s 2018 DFAST results can also be found on our website. The Bank expects to continue to utilize its internal stress testing as an important mechanism to inform its decisions on the appropriate level of capital, based upon actual and hypothetically-stressed economic conditions.

***Liquidity***

Historically, regulation and monitoring of bank liquidity has been addressed as a supervisory matter, both in the United States and internationally, without required formulaic measures. However, in January 2016, the FRB and other banking regulators adopted final rules (“Final Liquidity Coverage Ratio (“LCR”) Rule”) implementing a U.S. version of the Basel Committee’s LCR requirement. The LCR is intended to ensure that banks hold sufficient amounts of securities and other liquid assets to cover the anticipated net cash outflows during a hypothetical acute 30-day stress scenario. The Final LCR Rule applies to large, internationally active banking organizations (those with at least $250 billion in total assets or at least $10 billion in on-balance sheet foreign exposure) and a modified, less stringent rule applies to bank holding companies and savings and loan holding companies that have at least $50 billion in total assets but are not internationally active banking organizations.

Following the restructuring, the Bank is no longer subject to the Final LCR Rule, despite having greater than $50 billion in total assets. The Bank continues to maintain strong on-balance sheet liquidity and a portfolio of liquid assets comparable to requirements in the rule.

***Financial Privacy and Cyber Security***

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

In October 2016, the federal banking regulators jointly issued an advance notice of proposed rulemaking on enhanced cyber risk management standards that are intended to increase the operational resilience of large and interconnected entities under their supervision. The advance notice of proposed rulemaking addressed five categories of cyber standards: (1) cyber risk governance; (2) cyber risk management; (3) internal dependency management; (4) external dependency management; and (5) incident response, cyber resilience, and situational awareness. The comment period expired in February 2017; however, the regulators have not yet issued any revised proposed rules or final rules.

State regulators have been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including date encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. In June 2018, the California legislature passed the California Consumer Privacy Act of 2018 (the “CCPA”), which is scheduled to take effect on January 1, 2020. The CCPA, which covers businesses that obtain or access personal information on California resident consumers, grants consumers enhanced privacy rights and

control over their personal information and imposes significant requirements on covered companies with respect to consumer data privacy rights. We expect this trend of state-level activity to continue and are continually monitoring developments in the states in which we operate. Other states have implemented, or are considering, similar privacy laws.

In May 2018, the General Data Protection Regulation (the "GDPR") established new requirements regarding the handling of personal data. We believe the applicability of the GDPR to us is minimal as we do not offer goods or services to EU residents or monitor their behaviors.

***Prompt Corrective Action***

The Federal Deposit Insurance Corporation Improvement Act ("FDICIA") requires each federal banking agency to take prompt corrective action to resolve the problems of insured depository institutions, including but not limited to those that fall below one or more prescribed minimum capital ratios. Pursuant to FDICIA, the FDIC promulgated regulations defining the following five categories in which an insured depository institution will be placed, based on the level of its capital ratios: well-capitalized, adequately capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized. Under the prompt corrective action provisions of FDICIA as modified by the Basel III capital rules, an insured depository institution generally will be classified as well-capitalized if it has a CET1 ratio of at least 6.5%, a Tier 1 risk-based capital ratio of at least 8%, a total capital ratio of at least 10% and a Tier 1 leverage ratio of at least 5%, and an insured depository institution generally will be classified as under-capitalized if its CET1 ratio is under 4.5%, its total risk-based capital ratio is less than 8%, its Tier 1 risk-based capital ratio is less than 6%, or its Tier 1 leverage ratio is less than 4%. An institution that, based upon its capital levels, is classified as "well-capitalized," "adequately capitalized," or "under-capitalized," may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if a bank is classified in one of the under-capitalized categories, it is required to submit a capital restoration plan to the Federal bank regulator.

***Other Regulations***

The Bank is subject to a wide range of other requirements and restrictions contained in both the laws of the United States and the states in which its banks and other subsidiaries operate. These regulations include but are not limited to the following:

- Limitations on dividends payable to shareholders. The Bank's ability to pay dividends on both its common and preferred stock is subject to regulatory restrictions. See discussion under "Liquidity Management Actions" on page 66.
- Safety and soundness requirements. Federal law requires that the Bank be operated in a safe and sound manner. We are subject to additional safety and soundness standards prescribed in the FDICIA, including standards related to internal controls, information systems, internal audit, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, as well as other operational and management standards deemed appropriate by the federal banking agencies. The safety and soundness requirements give bank regulatory agencies significant latitude in their supervisory authority over us.
- Requirements for approval of acquisitions and activities and restrictions on other activities. The National Bank Act requires regulatory and shareholder approval of all mergers between a national bank and another national or state bank and do not allow for the direct merger into a national bank of a non-affiliated non-bank. See discussion under "*Risk Factors*." Other laws and regulations governing national banks contain similar provisions concerning acquisitions and activities.
- Limits on bank organization activities, which are more limited than activities that can be conducted by bank holding company organizations.
- Limitations on the amount of loans to a borrower and its affiliates.

- Limitations on transactions with affiliates, as expanded by the Dodd-Frank Act.
- Restrictions on the nature and amount of any investments and ability to underwrite certain securities.
- Requirements for opening of branches and the acquisition of other financial entities.
- Fair lending and truth in lending requirements to provide equal access to credit and to protect consumers in credit transactions.
- Broker-dealer and investment advisory regulations. One of our subsidiaries is a broker-dealer that is authorized to engage in securities underwriting and other broker-dealer activities. This company is registered with the SEC and is a member of FINRA. Another subsidiary is a registered investment adviser under the Investment Advisers Act of 1940, as amended, and as such is supervised by the SEC. Certain of our subsidiaries are also subject to various U.S. federal and state laws and regulations. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws.
- Provisions of the Gramm-Leach-Bliley Act and other federal and state laws dealing with privacy for non-public personal information of individual customers.
- Community Reinvestment Act (“CRA”) requirements. The CRA requires banks to help serve the credit needs in their communities, including providing credit to low and moderate income individuals. If the Bank fails to adequately serve its communities, penalties may be imposed including denials of applications to add branches, relocate, add subsidiaries and affiliates, and merge with or purchase other financial institutions.
- Anti-money laundering regulations. The Bank Secrecy Act, Title III of the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (“USA Patriot Act”), and other federal laws require financial institutions to assist U.S. Government agencies in detecting and preventing money laundering and other illegal acts by maintaining policies, procedures and controls designed to detect and report money laundering, terrorist financing, and other suspicious activity.

The Bank is subject to the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, and other federal and state laws and regulations which address, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. The National Association of Securities Dealers Automated Quotations (“NASDAQ”) has also adopted corporate governance rules, which are intended to allow shareholders and investors to more easily and efficiently monitor the performance of companies and their directors.

The Board of Directors of the Bank has overseen management’s establishment of a comprehensive system of corporate governance and risk practices. This system includes policies and guidelines such as Corporate Governance Guidelines, a Code of Business Conduct and Ethics for Employees, a Directors Code of Conduct, a Related Party Transaction Policy, Stock Ownership and Retention Guidelines, a Compensation Clawback Policy, an insider trading policy including provisions prohibiting hedging and placing restrictions on the pledging of bank stock by insiders, and charters for the Executive, Audit, Risk Oversight, Compensation, and Nominating and Corporate Governance Committees. More information on the Bank’s corporate governance practices is available on the Bank’s website at www.zionsbancorporation.com. (The Bank’s website is not part of this Annual Report on Form 10-K).

The Bank has adopted policies, procedures and controls to address compliance with the requirements of the banking, securities and other laws and regulations described above or otherwise applicable to the Bank. The Bank intends to make appropriate revisions to reflect any changes required.

Regulators, Congress, state legislatures, and international consultative bodies continue to enact rules, laws, and policies to regulate the financial services industry and public companies and to protect consumers and investors. The nature of these laws and regulations and the effect of such policies on future business and earnings of the Bank cannot be predicted.

## GOVERNMENT MONETARY POLICIES

The earnings and business of the Bank are affected not only by general economic conditions, but also by policies adopted by various governmental authorities. The Bank is particularly affected by the monetary policies of the FRB, which affect both short-term and long-term interest rates and the national supply of bank credit.

In view of the changing conditions in the economy and the effect of the FRB's monetary policies, it is difficult to predict future changes in loan demand, deposit levels and interest rates, or their effect on the business and earnings of the Bank. FRB monetary policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

## ITEM 1A. RISK FACTORS

The Bank's growth strategy is driven by key factors while adhering to defined risk parameters. The key elements of the Bank's strategy reflect its prudent risk-taking philosophy. The Bank generates revenue by taking prudent and appropriately priced risks. These factors are outlined in the Bank's Risk Appetite Framework.

The Bank's Board of Directors has established a Risk Oversight Committee of the Board, approved an Enterprise Risk Management Framework, and appointed an Enterprise Risk Management Committee ("ERMC") to oversee and implement the Framework. The ERMC is comprised of senior management of the Bank and is chaired by the Chief Risk Officer. The Bank's most significant risk exposure has traditionally come from the acceptance of credit risk inherent in prudent extension of credit to relationship customers. In addition to credit risk, these committees also monitor the following level one risk areas: market and interest rate risk, liquidity risk, strategic, business and corporate governance risk, operational/technology risk, cyber risk, model risk, capital/financial reporting risk, legal/compliance risk (including regulatory risk), and reputational risk as outlined in the bank's risk taxonomy. Additional governance and oversight includes Board-approved policies and management committees with direct focus on these specific risk categories. Incorporated into each of these level one risks mentioned previously is third party vendor risk, which the Bank views as critical in the management and oversight of vendors.

Although not comprehensive, the following describes several risk factors that are significant to the Bank:

### Credit Risk

***Credit quality has adversely affected us in the past and may adversely affect us in the future.***

Credit risk is one of our most significant risks. A decline in the strength of the U.S. economy in general or the local economies in which we conduct operations could result in, among other things, deterioration in credit quality and/or reduced demand for credit, including a resultant adverse effect on the income from our loan portfolio, an increase in charge-offs and an increase in the allowance for loan and lease losses ("ALLL").

***We have concentrations of risk in our loan portfolio, including loans secured by real estate, leveraged and enterprise value lending, and oil and gas-related lending, which may have unique risk characteristics that may adversely affect our results.***

Concentration or counterparty risk could adversely affect the Bank. Concentration risk across our loan and investment portfolios could pose significant additional credit risk to the Bank due to exposures which perform in a similar fashion. Counterparty risk could also pose additional credit risk.

We engage in commercial construction and land acquisition and development lending, as well as commercial term lending, primarily in our western states footprint. The Bank, as a whole, has relatively larger concentrations of such lending than many other peer institutions. In addition, we have a concentration in oil and gas-related lending, primarily in Texas. Both commercial real estate ("CRE") and oil and gas-related lending are subject to specific risks, including volatility and potential significant and prolonged declines in collateral-values and activity levels. In addition, our real estate lending is concentrated in the western states, and values there may behave differently than in other parts of the United States. We may have other unidentified concentrated or correlated risks in our loan portfolio.

***Our business is highly correlated to local economic conditions in a specific geographic region of the United States.***

The Bank provides a full range of banking and related services through its local management teams and unique brands in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington, and Wyoming. Approximately 79% and 78% of the Bank's total net interest income relates to our banking operations in Utah, Texas, and California for the years ended December 31, 2018 and December 31, 2017, respectively. As a result of this geographic concentration, our financial results depend largely upon economic conditions in these market areas. Accordingly, adverse economic conditions affecting these three states in particular could significantly affect our consolidated operations and financial results. For example, our credit risk could be elevated to the extent that our lending practices in these three states focus on borrowers or groups of borrowers with similar economic characteristics, which are similarly affected by the same adverse economic events. At December 31, 2018, loan balances associated with our banking operations in Utah, Texas, and California comprised 79% of the Bank's commercial lending portfolio, 73% of the CRE lending portfolio, and 69% of the consumer lending portfolio.

***We have been and could continue to be negatively affected by adverse economic conditions.***

Adverse economic conditions negatively affect the Bank's assets, including its loan and securities portfolios, capital levels, results of operations, and financial condition. The most recent financial crisis resulted in significant regulatory changes that continue to affect the Bank. Although economic conditions have improved since the most recent financial crisis, it is possible that economic conditions may weaken. Economic and fiscal conditions in the United States and other countries may directly or indirectly adversely impact economic and market conditions faced by the Bank and its customers. Any sustained weakness or further weakening in economic conditions would adversely affect the Bank.

## Market and Interest Rate Risks

***Failure to effectively manage our interest rate risk and prolonged periods of low interest rates could adversely affect us.***

Net interest income is the largest component of the Bank's revenue. Interest rate risk is managed by the Asset Liability Management Committee, which is established by the Bank's Board of Directors. Failure to effectively manage our interest rate risk could adversely affect the Bank. Factors beyond the Bank's control can significantly influence the interest rate environment and increase the Bank's risk. These factors include competitive pricing pressures for our loans and deposits, adverse shifts in the mix of deposits and other funding sources, and volatile market interest rates resulting from general economic conditions and the policies of governmental and regulatory agencies, in particular the FRB.

Over the course of the last year, we have maintained a moderate level of asset-sensitivity as the market rates seemed more likely to increase than to decrease. As risks shifted at the end of the year to be more balanced between higher or lower rates in the future, the Asset/Liability Committee ("ALCO") has undertaken strategies to reduce the level of asset-sensitivity, such as entering into rate floor agreements and increasing the use of interest rate swaps designated as cash flow hedges to synthetically convert floating-rate assets to fixed-rate. We anticipate moving towards a less asset-sensitive interest rate risk position over the course of 2019.

***Interest rates on the Bank's financial instruments might be subject to change based on developments related to LIBOR, which could adversely impact the Bank's revenue, expenses, and value of those financial instruments.***

In July 2017, the Financial Conduct Authority, the authority regulating the London Interbank Offered Rate ("LIBOR"), along with various other regulatory bodies, announced that LIBOR would likely be discontinued at the end of 2021. LIBOR makes up the most liquid and common interest rate index in the world and is commonly referenced in financial instruments. We have exposure to LIBOR in various aspects through our financial contracts. Instruments that may be impacted include loans, securities, and derivatives, among other financial contracts indexed to LIBOR and that mature after December 31, 2021.

While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, the Alternative Reference Rates Committee, a steering committee comprised of U.S. financial market participants, selected by the

Federal Reserve Bank of New York, started in May 2018 to publish the Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR. SOFR is a broad measure of the cost of overnight borrowings collateralized by Treasury securities that was selected by the Alternative Reference Rate Committee due to the depth and robustness of the U.S. Treasury repurchase market. At this time, it is impossible to predict whether SOFR will become an accepted alternative to LIBOR.

The market transition away from LIBOR to an alternative reference rate, such as SOFR, is complex and could have a range of adverse effects on our business, financial condition and results of operations. In particular, any such transition could:

- adversely affect the interest rates paid or received on, the revenue and expenses associate with, and the value of our floating-rate obligations, loans, deposits, derivatives, and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR's role in determining market interest rates globally;
- prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based securities; and
- require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR-based products to those based on the applicable alternative pricing benchmark, such as SOFR.

The manner and impact of this transition, as well as the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset-liability management, and business, is uncertain.

**Liquidity Risk**

***As a regulated entity, we are subject to capital and liquidity requirements that may limit our operations and potential growth.***

The Bank is subject to the comprehensive, consolidated supervision and regulation of the OCC and the FDIC, including risk-based and leverage capital ratio requirements, and Basel III liquidity requirements. Capital needs may rise above normal levels when we experience deteriorating earnings and credit quality, and our banking regulators may increase our capital requirements based on general economic conditions and our particular condition, risk profile and growth plans. Compliance with the capital requirements, including leverage ratios, may limit operations that require the intensive use of capital and could adversely affect our ability to expand or maintain present business levels. Although the Bank is not currently subject to the Final LCR Rule or the net stable funding ratio ("NSFR"), it is possible that the Bank may become subject to a liquid coverage ratio requirement or other heightened liquidity requirements in the future if the OCC or another banking regulator apply such a requirement to the Bank as a supervisory matter. In addition, the Bank may become subject to any rule implementing the NSFR that is promulgated in the future. As a result, the Bank could be required to hold a higher portion of its assets in securities and other liquid assets and a lower portion of its assets in loans. Securities and other liquid assets generally have lower yields than loans of the type made by the Bank. For a summary of the capital rules to which we are subject, see "Capital Standards – Basel Framework" on page 9 of this Annual Report on Form 10-K.

***We and/or the holders of our securities could be adversely affected by unfavorable rating actions from rating agencies.***

Our ability to access the capital markets is important to our overall funding profile. This access is affected by the ratings assigned by rating agencies to us and particular classes of securities that we issue. The rates that we pay on our securities are also influenced by, among other things, the credit ratings that we and/or our securities receive from recognized rating agencies. Ratings downgrades to us or our securities could increase our costs or otherwise have a negative effect on our results of operations or financial condition or the market prices of our securities.

## Strategic, Business and Corporate Governance Risks

***Problems encountered by other financial institutions could adversely affect financial markets generally and have indirect adverse effects on us.***

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis, and therefore could adversely affect us. Information security and vendor management processes are in place to actively identify, manage and monitor actual and potential impacts.

***The regulation of incentive compensation under the Dodd-Frank Act may adversely affect our ability to retain our highest performing employees.***

The bank regulatory agencies have published guidance and proposed regulations which limit the manner and amount of compensation that banking organizations provide to employees. These regulations and guidance may adversely affect our ability to attract and retain key personnel. If we were to suffer such adverse effects with respect to our employees, our business, financial condition and results of operations could be adversely affected, perhaps materially.

***We have made, and are continuing to make, significant changes to the Bank that include, among other things, organizational restructurings, efficiency initiatives, and replacement or upgrades of certain core technological systems to improve our control environment, and operating efficiency. The ultimate success and completion of these changes, and their effect on the Bank, may vary significantly from initial planning, which could materially adversely affect the Bank.***

Over the last several years, the Bank has completed numerous improvement projects, including the merger of its bank holding company into the Bank, combining the legal charters of our seven affiliate banks into one, consolidating 15 loan operations sites into two, upgrading our accounting systems, installing a credit origination work flow system, streamlining our small business and retail lending, mortgage, wealth management and foreign exchange businesses, and investing in data quality and information security. Ongoing investment continues in a multi-year project to replace our core loan and deposit systems, a collection of customer-facing digital capabilities and a variety of other projects to simplify how we do business.

These changes continue to be implemented; some of the projects are fully completed, and some projects are in their early stages. By their very nature, projections of duration, cost, expected savings, expected efficiencies, and related items are subject to change and significant variability.

We may encounter significant adverse developments in the completion and implementation of these changes. These may include significant time delays, cost overruns, loss of key people, technological problems, processing failures, and other adverse developments. Any or all of these issues could result in disruptions to our systems, processes, control environment, procedures, and employees, which may adversely impact our customers and our ability to conduct business.

We have plans, policies and procedures designed to prevent or limit the negative effect of these potential adverse developments. However, there can be no assurance that any such adverse developments will not occur or, if they do occur, that they will be adequately remediated. The ultimate effect of any adverse development could subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could materially affect the Bank, including its control environment, operating efficiency, and results of operations.

## Operational/Technology Risks

***Catastrophic events including, but not limited to, hurricanes, tornadoes, earthquakes, fires, floods, and prolonged drought, may adversely affect the general economy, financial and capital markets, specific industries, and the Bank.***

The Bank has significant operations and a significant customer base in Utah, Texas, California and other regions where natural and other disasters may occur. These regions are known for being vulnerable to natural disasters and other risks, such as hurricanes, tornadoes, earthquakes, fires, floods, and prolonged drought. These types of natural catastrophic events at times have disrupted the local economy, the Bank's business and customers, and have posed physical risks to the Bank's property. In addition, catastrophic events occurring in other regions of the world may have an impact on the Bank's customers and in turn on the Bank. Although we have business continuity and disaster recovery programs in place, a significant catastrophic event could materially adversely affect the Bank's operating results.

***We could be adversely affected by failure in our internal controls.***

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of the Bank. We continue to devote a significant amount of effort, time and resources to improving our controls and ensuring compliance with complex accounting standards and regulations. These efforts also include the management of controls to mitigate operational risks for programs and processes across the Bank.

***We could be adversely affected by financial technology advancements and other non-traditional lending and banking sources.***

The ability to successfully remain competitive is dependent upon our ability to maintain a critical technological capability and to identify and develop new, value-added products for existing and future customers. Failure to do so could impede our time to market, reduce customer product accessibility, and weaken our competitive position.

## Cyber Risk

***We are subject to a variety of system failure and cyber security risks that could adversely affect our business and financial performance.***

We rely heavily on communications and information systems to conduct our business. We, our customers, and other financial institutions with which we interact, are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations. Information security risks for large financial institutions such as the Bank have increased significantly in recent years in part because of the proliferation of new technologies, such as Internet and mobile banking to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, nation-states, activists and other external third parties. Third parties with whom we or our customers do business also present operational and information security risks to us, including security breaches or failures of their own systems. The possibility of employee error, failure to follow security procedures, or malfeasance also presents these risks. In addition, to access our products and services, our customers may use personal computers, smartphones, tablets, and other mobile devices that are beyond our control environment. Any failure, interruption or breach in security of our information systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems, misappropriation of funds, and theft, disclosure or misuse of proprietary Bank or customer data. While we have significant internal resources, policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our layers of defense or to investigate or remediate any information security vulnerabilities. System enhancements and updates may also create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity and interconnectedness of information technology systems, the process of enhancing our layers of defense can itself create a risk of systems disruptions and security issues. In

addition, addressing certain information security vulnerabilities, such as hardware-based vulnerabilities, may affect the performance of our information technology systems. The ability of our hardware and software providers to deliver patches and updates to mitigate vulnerabilities in a timely manner can introduce additional risks, particularly when a vulnerability is being actively exploited by threat actors. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

## Model Risk

***We use models in the management of the Bank. There is risk that these models are incorrect or inaccurate in various ways, which can cause us to make non-optimal decisions, and this risk causes the Bank to hold additional capital as a buffer against that risk.***

We attempt to carefully develop, document, back test, and validate the models used in the management of the Bank, including, for example, models used in the management of interest rate and liquidity risk, and those used in projecting stress losses in various segments of our credit and securities portfolios, and projecting net revenue under stress. Models are inherently imperfect for a number of reasons, however, and cannot perfectly predict outcomes. Management decisions based in part on such models, therefore, can be suboptimal. In addition, in determining the Bank's capital needs under stress testing, we attempt to specifically quantify the amounts by which model results could be incorrect, and we hold material additional amounts of capital as a buffer against this "model risk."

## Capital/Financial Reporting Risks

***Internal stress testing and capital management, as well as provisions of the National Bank Act and OCC regulations, may limit our ability to increase dividends, repurchase shares of our stock, and access the capital markets.***

Although we are no longer subject to the CCAR regime, we are required to submit stress tests to the OCC because the Bank has assets in excess of $10 billion, and we expect to continue to utilize stress testing as an important mechanism to inform our decisions on the appropriate level of capital, based upon actual and hypothetically-stressed economic conditions. The stress testing and other applicable regulatory requirements may, among other things, require us to increase our capital levels, limit our dividends or other capital distributions to shareholders, modify our business strategies, or decrease our exposure to various asset classes.

Under the National Bank Act and OCC regulations, certain capital transaction may be subject to the approval of the OCC. These requirements may limit our ability to respond to and take advantage of market developments.

***Economic and other circumstances may require us to raise capital at times or in amounts that are unfavorable to the Bank.***

The Bank must maintain certain risk-based and leverage capital ratios, as required by its banking regulators, which can change depending upon general economic conditions, and the particular conditions, risk profiles and growth plans of the Bank. Compliance with capital requirements may limit the Bank's ability to expand and has required, and may require, the Bank or its subsidiaries to raise additional capital. These uncertainties and risks, including those created by legislative and regulatory uncertainties, may increase the Bank's cost of capital and other financing costs.

***We could be adversely affected by accounting, financial reporting, and regulatory/compliance risk.***

The Bank is exposed to accounting, financial reporting, and regulatory/compliance risk. The Bank provides to its customers, invests in, and uses for its own capital, funding, and risk management needs, a number of complex financial products and services. Estimates, judgments, and interpretations of complex and changing accounting and regulatory policies are required in order to provide and account for these products and services. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and conditions. The level of regulatory/compliance oversight has been heightened in recent periods as a result of rapid changes in regulations that affect financial institutions. The administration of some of these regulations and related changes has required the Bank to comply before their formal adoption. Therefore, identification, interpretation and

implementation of complex and changing accounting standards as well as compliance with regulatory requirements pose an ongoing risk.

***The value of our goodwill may decline in the future.***

As of December 31, 2018, the Bank had $1 billion of goodwill that was allocated to Amegy Bank ("Amegy"), California Bank & Trust ("CB&T") and Zions Bank. If the fair value of a reporting unit is determined to be less than its carrying value, the Bank may have to take a charge related to the impairment of its goodwill. Such a charge would occur if the Bank were to experience increases in the book value of a reporting unit in excess of the increase in the fair value of equity of a reporting unit. A significant decline in the Bank's expected future cash flows, a significant adverse change in the business climate, slower economic growth or a significant and sustained decline in the price of the Bank's common stock, any or all of which could be materially impacted by many of the risk factors discussed herein, may necessitate the Bank taking charges in the future related to the impairment of its goodwill. Future regulatory actions could also have a material impact on assessments of the appropriateness of the goodwill carrying value. If the Bank was to conclude in the future that a write-down of its goodwill is necessary, it would record the appropriate charge, which could have a material adverse effect on the Bank's results of operations.

***The Bank may not be able to utilize the significant DTA recorded on its balance sheet.***

The Bank's balance sheet includes a significant DTA. We had net DTAs of $130 million at December 31, 2018, compared with $93 million at December 31, 2017. The largest component of this asset results from additions to our ALLL for purposes of GAAP in excess of loan losses actually taken for tax purposes. Our ability to continue to record this DTA is dependent on the Bank's ability to realize its value through net operating loss carrybacks or future projected earnings. Loss of part or all of this asset would adversely impact tangible capital. In addition, inclusion of this asset in determining regulatory capital is subject to certain limitations. Currently, no DTAs are disallowed for regulatory purposes at the Bank.

## Legal Risks

***The Dodd-Frank Act imposes significant limitations on our business activities and subjects us to increased regulation and additional costs.***

The Dodd-Frank Act implementing regulations place significant additional regulatory oversight and requirements on financial institutions. Among other things, the Dodd-Frank Act:

- impacts the Bank's ability to invest in certain types of entities or engage in certain activities;
- impacts a number of the Bank's business strategies;
- requires us to incur the cost of developing substantial heightened risk management policies and infrastructure;
- regulates the pricing of certain of our products and services and restricts the revenue that the Bank generates from certain businesses;
- subjects the Bank to supervision by the CFPB, with very broad rule-making and enforcement authorities;
- grants authority to state agencies to enforce state and federal laws against national banks; and
- subjects the Bank to new and different litigation and regulatory enforcement risks;

The Bank and the entire financial services industry have incurred and will continue to incur substantial personnel, systems, consulting, and other costs in order to comply with regulations promulgated under the Dodd-Frank Act. Some aspects of the Dodd-Frank Act continue to be subject to rulemaking, many of the rules that have been adopted will take effect over several additional years, and many of the rules that have been adopted may be subject to interpretation and clarification, and accordingly, the impact of such regulatory changes cannot be presently determined. Individually and collectively, regulations adopted under the Dodd-Frank Act may materially adversely affect the Bank's and the financial services industry's business, financial condition (including the Bank's ability to compete effectively with less regulated financial services providers), and results of operations.

***Other legislative and regulatory actions taken now or in the future may have a significant adverse effect on our operations and earnings.***

In addition to the Dodd-Frank Act described previously, bank regulatory agencies and international regulatory consultative bodies have proposed or are considering new regulations and requirements, some of which may be imposed without formal promulgation. Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC insurance assessments.

There can be no assurance that any or all of these regulatory changes or actions will ultimately be adopted. However, if adopted, some of these proposals could adversely affect the Bank by, among other things: impacting after-tax returns earned by financial services firms in general; limiting the Bank's ability to grow; increasing taxes or fees on some of the Bank's funding or activities; limiting the range of products and services that the Bank could offer; and requiring the Bank to raise capital at inopportune times.

Recent political developments could result in substantial changes in tax, international trade, immigration, and other policies. The extent and timing of any such changes are uncertain, as are the potential direct and indirect impacts, whether beneficial or adverse. Regulations and laws may be modified or repealed, and new legislation may be enacted that will affect us and our subsidiaries.

The ultimate impact of these proposals cannot be predicted as it is unclear which, if any, may be adopted.

***We could be adversely affected by legal and governmental proceedings.***

We are subject to risks associated with legal claims, litigation, and regulatory and other government proceedings. The Bank's exposure to these proceedings has increased and may further increase as a result of stresses on customers, counterparties and others arising from the past or current economic environments, new regulations promulgated under recently adopted statutes, the creation of new examination and enforcement bodies, and increasingly aggressive enforcement and legal actions against banking organizations. Any such matters may result in material adverse consequences to our results of operations, financial condition or ability to conduct our business, including adverse judgments, settlements, fines, penalties (including civil money penalties under applicable banking laws), injunctions, restrictions on our business activities or other relief. Our involvement in any such matters, even if the matters are ultimately determined in our favor, could also cause significant harm to our reputation and divert management attention from the operation of our business. In general, the amounts paid by financial institutions in settlement of proceedings or investigations, including those relating to anti-money laundering matters, have been increasing dramatically. In addition, any enforcement matters could impact our supervisory and CRA ratings, which may restrict or limit our activities.

***The corporate and securities laws applicable to the Bank are not as well-developed as those applicable to a state-chartered corporation, and this may impact the ability of the Bank to effect corporate transactions in an efficient and optimal manner.***

Prior to the restructuring, the corporate affairs of the Bank's holding company were governed by Utah state law, and securities law matters were governed by the federal securities laws, including the Securities Act and the Exchange Act, as administered by the SEC. Each of these legal regimes is well-developed and used widely by public companies.

Post-restructuring, the Bank's corporate affairs are governed by the National Bank Act and related regulations administered by the OCC. With respect to securities matters, the Bank is not subject to the Securities Act, but rather to OCC regulations governing securities offerings. The Bank's common stock and certain other securities are registered or deemed registered under the Exchange Act, which vests the OCC with the power to administer and enforce certain sections of the Exchange Act applicable to banks such as the Bank (though the Bank currently makes and intends to continue to make filings required by the Exchange Act with the SEC as a "voluntary filer"). These OCC statutory and regulatory regimes have been used by publicly-traded banking organizations relatively rarely and are not as well-developed as the corporate and securities law regimes applicable to corporations. While certain specific risks associated with operating under these regimes are discussed below, unless and until these regimes are further developed and established over time, the uncertainty of how these regimes might apply to any

given corporate or securities matters may prevent us from effecting transactions in an efficient and optimal manner or perhaps at all.

***Differences between the National Bank Act and state law requirements in respect of mergers could result in the Bank not being able to execute acquisitions as efficiently and advantageously as bank holding companies or other financial institutions.***

Unlike state corporate law, the National Bank Act requires shareholder approval of all mergers between a national bank and another national or state bank and does not allow for exceptions in the case of various "minor" mergers, such as a parent company's merger with a subsidiary or an acquirer's merger with an unaffiliated entity in which the shares issued by the acquirer do not exceed a designated percentage. The National Bank Act and related regulations do not allow for the direct merger into a national bank of a non-affiliated non-bank.

These differences could adversely affect the Bank's, and other banks registered under the National Bank Act, ability to efficiently consummate acquisition transactions. In addition, such differences could make the Bank less competitive as a potential acquirer in certain circumstances given that the Bank's acquisition proposal may be conditioned on Bank shareholder approval while the Bank's competitors' proposals will not have such a condition.

***Differences between the National Bank Act and state law could result in the Bank's capacity to pay dividends and repurchase shares at any given time being different from the capacity that existed for Zions Bancorporation prior to the restructuring.***

The regulations and limitations applicable to the Bank relating to the payment of dividends and repurchases or redemptions of outstanding common and preferred shares differ from the limitations and considerations that applied to the Bank's holding company prior to the recent restructuring. While the Bank does not believe this change in legal restrictions resulting from the restructuring will constrain the Bank from executing any capital plans that are currently contemplated or otherwise reasonably foreseeable in the near term, there can be no assurance that the change in legal restrictions will not have an adverse effect on the Bank's ability to pay dividends and repurchase or redeem stock in the future.

***Shares of common stock of a national bank are assessable and this may cause investors to view the Bank's common stock less favorably than that of Zions Bancorporation prior to the restructuring.***

The National Bank Act provides that under certain circumstances the common stock of a national bank is assessable, i.e., holders may be subject to a levy for more funds if so determined by the OCC. In contrast, the common stock of state corporations is not subject to assessment. However, the OCC has confirmed that under the applicable provisions of the National Bank Act, assessability is limited to the par value of a national bank's stock. The Bank's common stock has a par value of $0.001. Moreover, according to the OCC, it has not exercised its authority to levy assessments since 1933 and views the assessability authority as a mechanism for addressing capital deficiency that has long been overtaken by developments in statute and regulation, including robust capital standards, prompt corrective action requirements and supervisory and enforcement authorities requiring an institution to maintain capital at a particular level. Nonetheless, potential investors may be unfamiliar with the concept of assessment and, as a result, view the Bank less favorably as an investment.

***The ability of investors to access financial and other reports filed by the Bank readily could be adversely affected if such reports were not able to be made available publicly through the SEC or a system operated by the OCC comparable to that of the SEC.***

The Bank has been permitted and currently makes its Exchange Act filings as a "voluntary filer" with the SEC. There can be no assurance, however, that the OCC or SEC will continue to allow the Bank to make filings as a voluntary filer or that the OCC will develop a comparable system for making Exchange Act filings publicly available. If the Bank's Exchange Act filings ceased to be as readily available as those of bank holding companies, investors could view the Bank less favorably.

***The Bank's ability to issue securities in an optimal manner may be adversely affected by the fact that the OCC's securities offering regulations and organizational structure are less well-developed than those of the SEC, which applied to the Bank's holding company prior to the restructuring.***

The SEC maintains a well-developed regulatory regime and well-staffed organization relating to securities offerings under or exempt from the Securities Act. For example, the SEC has developed integrated disclosure rules, which allow Exchange Act filings to be incorporated by reference into prospectuses distributed as required by the Securities Act. In addition, under the SEC's rules seasoned issuers who are timely in their filings are permitted to use "automatic shelf registration," allowing them to offer securities under a registration statement that is automatically effective upon filing. The OCC maintains its own securities offering regime applicable to national banks and their securities offerings, which the Bank will need to comply with in order to access the public capital markets. Similar to the SEC's offering rules, the OCC's regime requires that registration statements be reviewed and declared or become effective. However, given that there are currently no other nationally-charted banks whose common stock has been issued under the OCC's securities offering regime, it is unknown at this point whether and how the OCC staff would review registration statements, and unclear whether the OCC would apply the same mechanics for automatic shelf registration filings used by SEC-filers, or how, more generally, the OCC will function as a securities regulator. Given the extent to and manner in which the Bank has accessed capital markets historically, or to which it currently contemplates accessing such markets, the Bank does not believe there will be a material adverse impact on the Bank's ability to access capital markets effectively, although there can be no assurance that this will be the case and it is possible that operating under the OCC's securities offering regime could impede the Bank's ability to sell securities at the most advantageous times or to achieve optimum pricing in offerings.

***The Bank is subject to restrictions on permissible activities that would limit the types of business it may conduct and that may make acquisitions of other financial companies more challenging.***

Under applicable laws and regulations, bank holding companies and banks are generally limited to business activities and investments that are related to banking or are financial in nature. The range of permissible financial activities is set forth in the Gramm-Leach-Bliley Act and is more limited for banks than for bank holding company organizations. The differences relate mainly to insurance underwriting (but not insurance agency activities) and merchant banking (but not broker-dealer and investment advisory activities). Merchant banking authority is an important power for financial institutions that desire to engage in a full-scale investment banking business and can also be important for institutions that wish to engage in private equity and proprietary investment business lines. While historically the Bank's holding company did not seek to engage in activities available only to bank holding companies under the Gramm-Leach-Bliley Act, the Bank is not able to engage in these activities. Loss of the bank holding company status resulting from the restructuring will make future acquisitions by the Bank of financial institutions that have such operations more challenging.

***The Bank's common stock is not an insured deposit.***

Shares of the Bank's common stock are not a bank deposit and, therefore, losses in value are not insured by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in shares of the Bank's common stock is inherently risky and is subject to the same market forces and investment risks that affect the price of common stock in any other company, including the possible loss of some or all principal invested.

## Reputational Risk

***The Bank is presented with various reputational risk issues that could stem from operational, regulatory/compliance and legal risks.***

A Reputational Risk Council was established to monitor, manage and develop strategies to effectively manage reputational risk which includes, but is not limited to, addressing communication logistics, legal and regulatory issues.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments that were received from the SEC's or OCC's staff 180 days or more before the end of the Bank's fiscal year relating to its periodic or current reports filed under the Securities Exchange Act of 1934.

## ITEM 2. PROPERTIES

At December 31, 2018, the Bank operated 433 branches, of which 276 are owned and 157 are leased. The Bank also leases its headquarters in Salt Lake City, Utah. Other operations facilities are either owned or leased. The annual rentals under long-term leases for leased premises are determined under various formulas and factors, including operating costs, maintenance and taxes. For additional information regarding leases and rental payments, see Note 15 of the Notes to Consolidated Financial Statements.

## ITEM 3. LEGAL PROCEEDINGS

The information contained in Note 15 of the Notes to Consolidated Financial Statements is incorporated by reference herein.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

# PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### PREFERRED STOCK

We have 4,400,000 authorized shares of preferred stock without par value and with a liquidation preference of $1,000 per share. As of December 31, 2018, 66,139, 138,391, 126,221, 98,555, and 136,368 of preferred shares series A, G, H, I, and J respectively, are outstanding. See Note 13 of the Notes to Consolidated Financial Statements for further information regarding the Bank's preferred stock.

### COMMON STOCK

***Market Information***

The Bank's common stock is traded on the NASDAQ Global Select Market under the symbol "ZION." The last reported sale price of the common stock on NASDAQ on February 8, 2019 was $49.04 per share.

***Common Stock Warrants***

As of December 31, 2018, 29.3 million common stock warrants (NASDAQ: ZIONW) with an exercise price of $34.82 were outstanding. These warrants expire on May 22, 2020. See Note 13 of the Notes to Consolidated Financial Statements for further information about the warrants and warrant exercises during 2018.

***Equity Capital and Dividends***

As of February 8, 2019, there were 4,161 holders of record of the Bank's common stock. The Bank's Board of Directors approved a dividend of $0.30 per common share payable on February 21, 2019 to shareholders of record on February 14, 2019. The Bank expects to continue its policy of paying regular cash dividends on a quarterly basis, although there is no assurance as to future dividends because they depend on future earnings, capital requirements, financial condition, and regulatory approvals.

***Share Repurchases***

The Bank continued its common stock repurchase program during 2018 and repurchased 12.9 million shares of common shares outstanding, which is equivalent to 6.6% of common stock outstanding as of December 31, 2017,

with a fair value of $670 million at an average price of $51.77 per share. In February 2019, the Bank announced that the Board approved a plan to repurchase $275 million of common stock during the first quarter of 2019. During 2017, the Bank repurchased 7.0 million shares of common shares outstanding with a fair value of $320 million at an average price of $45.66 per share. The following schedule summarizes the Bank's share repurchases for the fourth quarter of 2018:

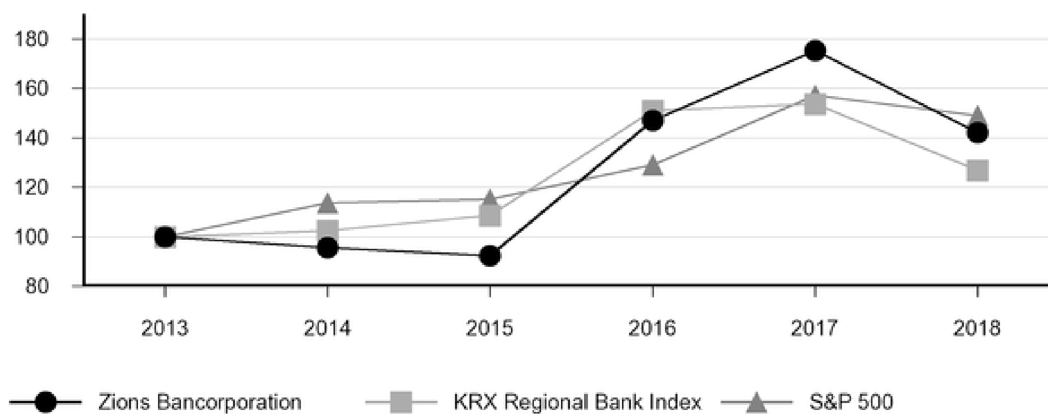
| Period | Total number of shares repurchased [1] | Average price paid per share | Shares purchased as part of publicly announced plans or programs | Approximate dollar value of shares that may yet be purchased under the share repurchase plan (in millions) |
|---|---|---|---|---|
| October | 419,583 | $ 47.78 | 418,632 | $ 230 |
| November | 4,723,543 | 48.69 | 4,723,363 | — |
| December | 5,006 | 46.87 | — | — |
| Fourth quarter | 5,148,132 | 48.62 | 5,141,995 | |

[1] *Represents common shares acquired from employees in connection with our stock compensation plan in addition to shares acquired under previously reported share repurchase plans. Shares were acquired from employees to pay for their payroll taxes and stock option exercise cost upon the vesting of restricted stock and restricted stock units, and the exercise of stock options, under provisions of an employee share-based compensation plan.*

***Performance Graph***

The following stock performance graph compares the five-year cumulative total return of Zions Bancorporation's common stock with the Standard & Poor's 500 Index and the Keefe, Bruyette & Woods Inc. ("KBW"), Regional Bank Index ("KRX"). The KRX is a modified market capitalization-weighted regional bank and thrift stock index developed and published by KBW, a nationally recognized brokerage and investment banking firm specializing in bank stocks. The index is composed of 50 geographically diverse stocks representing regional banks or thrifts. The stock performance graph is based upon an initial investment of $100 on December 31, 2013 and assumes reinvestment of dividends.

**PERFORMANCE GRAPH FOR ZIONS BANCORPORATION, N.A.**
**INDEXED COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN**




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| Zions Bancorporation, N.A. | 100.0 | 95.7 | 92.3 | 147.0 | 175.3 | 142.2 |
| KRX Regional Bank Index | 100.0 | 102.4 | 108.6 | 151.0 | 153.8 | 126.9 |
| S&P 500 | 100.0 | 113.7 | 115.2 | 129.0 | 157.2 | 149.0 |

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The information contained in Item 12 of this Form 10-K is incorporated by reference herein.

## ITEM 6. SELECTED FINANCIAL DATA

### FINANCIAL HIGHLIGHTS

| *(Dollar amounts in millions, except per share amounts)* | 2018/2017 Change | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **For the Year** | | | | | | |
| Net interest income | +8 % | $ 2,230 | $ 2,065 | $ 1,867 | $ 1,715 | $ 1,680 |
| Noninterest income | +1 % | 552 | 544 | 516 | 357 | 493 |
| Total revenue | +7 % | 2,782 | 2,609 | 2,383 | 2,072 | 2,173 |
| Provision for credit losses | -335 % | (40) | 17 | 83 | 34 | (107) |
| Noninterest expense | +2 % | 1,678 | 1,649 | 1,585 | 1,581 | 1,649 |
| Income before income taxes | +22 % | 1,143 | 936 | 705 | 451 | 621 |
| Income taxes | -25 % | 259 | 344 | 236 | 142 | 223 |
| Net income | +49 % | 884 | 592 | 469 | 309 | 398 |
| Net earnings applicable to common shareholders | +55 % | 850 | 550 | 411 | 247 | 327 |
| **Per Common Share** | | | | | | |
| Net earnings – diluted | +57 % | 4.08 | 2.60 | 1.99 | 1.20 | 1.68 |
| Net earnings – basic | +61 % | 4.36 | 2.71 | 2.00 | 1.20 | 1.68 |
| Dividends declared | +136 % | 1.04 | 0.44 | 0.28 | 0.22 | 0.16 |
| Book value at year-end | +4 % | 37.39 | 36.01 | 34.10 | 32.67 | 31.35 |
| Market price – end | -20 % | 40.74 | 50.83 | 43.04 | 27.30 | 28.51 |
| Market price – high | +13 % | 59.19 | 52.20 | 44.15 | 33.03 | 33.33 |
| Market price – low | -1 % | 38.08 | 38.43 | 19.65 | 23.72 | 25.02 |
| **At Year-End** | | | | | | |
| Assets | +4 % | 68,746 | 66,288 | 63,239 | 59,665 | 57,203 |
| Net loans and leases | +4 % | 46,714 | 44,780 | 42,649 | 40,650 | 40,064 |
| Deposits | +3 % | 54,101 | 52,621 | 53,236 | 50,374 | 47,848 |
| Long-term debt | +89 % | 724 | 383 | 535 | 812 | 1,086 |
| Federal funds and other short-term borrowings | +14 % | 5,653 | 4,976 | 827 | 347 | 244 |
| Preferred equity | — % | 566 | 566 | 710 | 829 | 1,004 |
| Common equity | -1 % | 7,012 | 7,113 | 6,924 | 6,679 | 6,366 |
| **Performance Ratios** | | | | | | |
| Return on average assets | | 1.33% | 0.91% | 0.78% | 0.53% | 0.71% |
| Return on average common equity | | 12.1% | 7.7% | 6.0% | 3.8% | 5.4% |
| Return on average tangible common equity | | 14.2% | 9.0% | 7.1% | 4.6% | 6.7% |
| Net interest margin | | 3.61% | 3.45% | 3.37% | 3.19% | 3.26% |
| **Capital Ratios at Year End** | | | | | | |
| Equity to assets | | 11.0% | 11.6% | 12.1% | 12.6% | 12.9% |
| Common equity tier 1 (Basel III), tier 1 common (Basel I) [1] | | 11.7% | 12.1% | 12.1% | 12.2% | 11.9% |
| Tier 1 leverage [1] | | 10.3% | 10.5% | 11.1% | 11.3% | 11.8% |
| Tier 1 risk-based capital [1] | | 12.7% | 13.2% | 13.5% | 14.1% | 14.5% |
| Total risk-based capital [1] | | 13.9% | 14.8% | 15.2% | 16.1% | 16.3% |
| Tangible common equity | | 8.9% | 9.3% | 9.5% | 9.6% | 9.5% |
| Tangible equity | | 9.7% | 10.2% | 10.6% | 11.1% | 11.3% |
| **Selected Information** | | | | | | |
| Weighted average diluted common shares outstanding *(in thousands)* | -2 % | 206,501 | 209,653 | 204,269 | 203,698 | 192,789 |
| Bank common shares repurchased - from publicly announced plans *(in thousands)* | +85 % | 12,943 | 7,009 | 2,889 | — | — |
| Common dividend payout ratio [2] | | 23.8% | 16.1% | 14.0% | 18.3% | 9.6% |
| Capital distributed as a percentage of net earnings applicable to common shareholders [3] | | 103% | 74% | 36% | 18% | 9% |
| Full-time equivalent employees | +1 % | 10,201 | 10,083 | 10,057 | 10,200 | 10,462 |
| Branches | — % | 433 | 433 | 436 | 450 | 460 |

[1] *For 2018, 2017, 2016, and 2015, ratios are based on Basel III. For 2014, ratios are based on Basel I.*

[2] *The common dividend payout ratio is equal to common dividends paid divided by net earnings applicable to common shareholders.*

[3] *This ratio is the common dividends paid plus share repurchases for the year, divided by net earnings applicable to common shareholders.*

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GAAP to NON-GAAP RECONCILIATIONS

This Form 10-K presents non-GAAP financial measures, in addition to GAAP financial measures, to provide investors with additional information. The adjustments to reconcile from the applicable GAAP financial measures to the non-GAAP financial measures are presented in the following schedules. The Bank considers these adjustments to be relevant to ongoing operating results and provide a meaningful base for period-to-period and company-to-company comparisons. These non-GAAP financial measures are used by management to assess the performance and financial position of the Bank and for presentations of Bank performance to investors. The Bank further believes that presenting these non-GAAP financial measures will permit investors to assess the performance of the Bank on the same basis as that applied by management.

Non-GAAP financial measures have inherent limitations and are not required to be uniformly applied by individual entities. Although non-GAAP financial measures are frequently used by stakeholders to evaluate a company, they have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of results reported under GAAP. The following are the non-GAAP financial measures presented in this Form 10-K and a discussion of why management and investors use these non-GAAP measures.

*Return on Average Tangible Common Equity ("ROTCE")* – this schedule also includes "net earnings applicable to common shareholders, excluding the effects of the adjustments, net of tax" and "average tangible common equity." ROTCE is a non-GAAP financial measure that management believes provides useful information about the Bank's use of shareholders' equity. Management believes the use of ratios that utilize tangible equity provides additional useful information about performance because they present measures of those assets that can generate income.

*Schedule 1*

**RETURN ON AVERAGE TANGIBLE COMMON EQUITY (NON-GAAP) – ANNUAL**

| *(Dollar amounts in millions)* | | Year Ended December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Net earnings applicable to common shareholders (GAAP) | | $ 850 | $ 550 | $ 411 |
| Amortization of core deposit and other intangibles, net of tax | | 1 | 4 | 5 |
| Net earnings applicable to common shareholders, excluding amortization of core deposits and intangibles, net of tax (non-GAAP) | (a) | $ 851 | $ 554 | $ 416 |
| Average common equity (GAAP) | | $ 7,024 | $ 7,148 | $ 6,915 |
| Average goodwill and intangibles | | (1,015) | (1,019) | (1,027) |
| Average tangible common equity (non-GAAP) | (b) | $ 6,009 | $ 6,129 | $ 5,888 |
| Return on average tangible common equity (non-GAAP) | (a/b) | 14.2% | 9.0% | 7.1% |

*Tangible Equity Ratio, Tangible Common Equity Ratio, and Tangible Book Value per Common Share* – this schedule also includes "tangible equity," "tangible common equity," and "tangible assets." Tangible equity ratio, tangible common equity ratio, and tangible book value per common share are non-GAAP financial measures that management believes provide additional useful information about the levels of tangible assets and tangible equity between each other and in relation to outstanding shares of common stock. Management believes the use of ratios that utilize tangible equity provides additional useful information about capital adequacy because they present measures of those assets that can generate income.

*Schedule 2*

**TANGIBLE EQUITY (NON-GAAP) AND TANGIBLE COMMON EQUITY (NON-GAAP)**

| *(Dollar amounts in millions, except per share amounts)* | | December 31, 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Total shareholders' equity (GAAP) | | $ 7,578 | $ 7,679 | $ 7,634 |
| Goodwill and intangibles | | (1,015) | (1,016) | (1,022) |
| Tangible equity (non-GAAP) | (a) | 6,563 | 6,663 | 6,612 |
| Preferred stock | | (566) | (566) | (710) |
| Tangible common equity (non-GAAP) | (b) | $ 5,997 | $ 6,097 | $ 5,902 |
| Total assets (GAAP) | | $ 68,746 | $ 66,288 | $ 63,239 |
| Goodwill and intangibles | | (1,015) | (1,016) | (1,022) |

| | | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Tangible assets (non-GAAP) | (c) | $ 67,731 | $ 65,272 | $ 62,217 |
| Common shares outstanding (thousands) | (d) | 187,554 | 197,532 | 203,085 |
| Tangible equity ratio (non-GAAP) | (a/c) | 9.7% | 10.2% | 10.6% |
| Tangible common equity ratio (non-GAAP) | (b/c) | 8.9% | 9.3% | 9.5% |
| Tangible book value per common share (non-GAAP) | (b/d) | $31.97 | $30.87 | $29.06 |

*Efficiency Ratio* – this schedule also includes "adjusted noninterest expense," "taxable-equivalent net interest income," "adjusted taxable-equivalent revenue," "pre-provision net revenue ("PPNR")," and "adjusted PPNR." The methodology of determining the efficiency ratio may differ among companies. Management makes adjustments to exclude certain items as identified in the subsequent schedule which it believes allows for more consistent comparability among periods. Management believes the efficiency ratio provides useful information regarding the cost of generating revenue. Adjusted noninterest expense provides a measure as to how well the Bank is managing its expenses, and adjusted PPNR enables management and others to assess the Bank's ability to generate capital to cover credit losses through a credit cycle. Taxable-equivalent net interest income allows management to assess the comparability of revenue arising from both taxable and tax-exempt sources.

*Schedule 3*

**EFFICIENCY RATIO**

| ***(Dollar amounts in millions)*** | | **2018** | **2017** | **2016** |
|---|---|---|---|---|
| Noninterest expense (GAAP) | (a) | $ 1,678 | $ 1,649 | $ 1,585 |
| Adjustments: | | | | |
| Severance costs | | 3 | 7 | 5 |
| Other real estate expense, net | | 1 | (1) | (2) |
| Provision for unfunded lending commitments | | (1) | (7) | (10) |
| Amortization of core deposit and other intangibles | | 1 | 6 | 8 |
| Restructuring costs | | 2 | 4 | 5 |
| Total adjustments | (b) | 6 | 9 | 6 |
| Adjusted noninterest expense (non-GAAP) | (a-b)=(c) | $ 1,672 | $ 1,640 | $ 1,579 |
| Net interest income (GAAP) | (d) | $ 2,230 | $ 2,065 | $ 1,867 |
| Fully taxable-equivalent adjustments | (e) | 22 | 35 | 25 |
| Taxable-equivalent net interest income (non-GAAP) | (d+e)=(f) | 2,252 | 2,100 | 1,892 |
| Noninterest income (GAAP) | (g) | 552 | 544 | 516 |
| Combined income (non-GAAP) | (f+g)=(h) | 2,804 | 2,644 | 2,408 |
| Adjustments: | | | | |
| Fair value and nonhedge derivative income (loss) | | (1) | (2) | 2 |
| Securities gains, net | | 1 | 14 | 7 |
| Total adjustments | (i) | — | 12 | 9 |
| Adjusted taxable-equivalent revenue (non-GAAP) | (h-i)=(j) | $ 2,804 | $ 2,632 | $ 2,399 |
| Pre-provision net revenue (non-GAAP) | (h)-(a) | $ 1,126 | $ 995 | $ 823 |
| Adjusted pre-provision net revenue (non-GAAP) | (j-c) | 1,132 | 992 | 820 |
| Efficiency ratio (non-GAAP) | (c/j) | 59.6% | 62.3% | 65.8% |

## Bank Overview

Zions Bancorporation, National Association and its subsidiaries (collectively "Zions Bancorporation, N.A.," "the Bank," "we," "our," "us") together comprise a $69 billion commercial bank headquartered in Salt Lake City, Utah.

- At December 31, 2018, the Bank had banking operations through 433 branches in eleven western states, with strong market share in many of the markets in which it operates. Additionally, the Bank currently has, and continues to develop its digital delivery capabilities. Revenues and profits are primarily derived from commercial customers, and the Bank also emphasizes retail banking, mortgage banking, wealth management, municipal finance, and brokerage services. The Bank is included in the Standard and Poor's ("S&P") 500 and NASDAQ Financial 100 indices.
- The Bank is consistently ranked among the best banks in the country to work with by its small and middle-market customers, as measured by the Greenwich Associates annual survey. Since the inception of the awards in 2009, only five other U.S. banks have consistently received as many Greenwich Excellence Awards as Zions Bancorporation, N.A.
- The Bank consistently wins awards for the best bank within its geography. Examples include the best bank awards given by local newspapers, business journals, or similar publications in Nevada, Arizona, and California: Orange County (five consecutive years) and San Diego County (eight consecutive years).
- The Bank's objectives include:
  - Continuing revenue growth (net interest income plus noninterest income) in excess of noninterest expense—so-called positive operating leverage—which should result in annual PPNR growth in the high-single digit rate and further improvement to the efficiency ratio;
  - Improving profitability ratios. Improved operating efficiency coupled with low credit costs as experienced in 2018 should lead to improved profitability ratios, such as the returns on assets and equity.
  - Maintaining or increasing capital distributions due to stronger earnings and a lower risk profile than seen in prior years.
- The long-term strategy of the Bank to achieve these objectives includes the following:
  - Continuing to execute on our community bank business model by doing business on a "local" basis, with significant local decision making for customer-facing elements of our business including product offerings, marketing, and pricing. We believe our scale gives us superior access to capital markets, more robust treasury management, and other product capabilities than smaller community banks. We also believe that our model provides a meaningful competitive advantage and an opportunity for growth over larger national banks whose loan and deposit products are often homogeneous. We are actively engaged in community events and charitable efforts designed to give back to the people within our communities. In 2018, we believe this local, customized approach led to a strong showing with commercial customers as reflected in the Greenwich Awards referenced earlier, as well as a loan growth rate of 4% for the year;
  - Maintaining a strong approach to risk management, having meaningfully improved our operational, credit, and financial risk management in the past several years;
  - Continuing to invest in a diverse team of knowledgeable and experienced bankers, known for their integrity. We are committed to building our employees' capabilities, so they can become trusted partners of our customers and leaders in their communities; and
  - Continuing to invest in technology. Looking forward for the next several years, we believe that digital delivery of products, including mobile banking, online banking and having a core processing system that is robust and prevents outages, is critical to remaining competitive. We have rolled out a wide range of improvements and additions to our customer interfaces including a redesigned website, mobile applications, and an upgraded treasury internet banking platform for our commercial customers.
- During the past several years we have taken significant actions to improve the Bank's risk profile, which include:
  - The reduction of an above-average concentration in CRE loans. CRE loans as a percentage of total loans has declined from 35% at December 31, 2007 to 24% at December 31, 2018;
  - Numerous changes made to the credit administration organization and processes to facilitate improved data collection on loans and monitoring of potential default and loss risk;

  - The significant increase of liquidity and flexibility to reposition the securities portfolio with the purchase of moderate duration securities with limited duration extension risk; i.e., management has generally purchased securities that within the context of a rising interest rate environment would not experience interest rate related losses;
  - The addition of five members to the Board of Directors during the past five years that have strong financial and risk management experience;
  - The replacement and upgrade of management information and accounting systems to allow for a more complete view of the Bank's risks and opportunities; and
  - The ongoing evaluation and classification of all known risks into approximately sixty unique risk categories, which are regularly monitored and reported in a process that flows from line-level employees through executive management to the Board of Directors;
- We have also taken significant actions to improve the Bank's efficiency during the past several years, which include the streamlining or elimination of redundant or inefficient processes, and the reduction of unnecessary complexity in product types. We intend to continue improving our efficiency by creating value through the adoption of common practices, automation, and simplification of our front, middle and back-office processes.
- We believe we have achieved even greater operating efficiencies than currently reflected in our financial statements, since our profitability has improved while at the same time investing a substantial amount to upgrade and replace core systems and applications. We announced in 2013 that we had started a project to replace our core loan and deposit banking systems ("Core Transformation Project"). We successfully implemented the first phase of the TCS BαNCS® core servicing system in mid-2017, replacing our consumer lending system. The second phase of the Core Transformation Project, which replaces the Bank's primary commercial lending systems, was deployed in the February of 2019 and we are in the process of finalizing the full implementation. The replacement of the deposit system is expected to be the third phase of the Core Transformation Project, and is still in the preliminary stages of development. As of December 31, 2018, the Bank had $196 million of capitalized expenses associated with the Core Transformation Project. BαNCS® is a real time, parameter-driven servicing system that will provide long-term benefits to the Bank by improving accessibility and functionality, allowing our bankers to better serve customers.
- As part of our ongoing simplification and efficiency efforts, on September 30, 2018, the Bank completed the merger of Zions Bancorporation, its former bank holding company, with, and into, the Bank formerly known as ZB, N.A., in order to further reduce organizational complexity. The restructuring eliminated the bank holding company structure and associated regulatory framework, and resulted in ZB, N.A. being renamed Zions Bancorporation, National Association and becoming the top-level entity within our corporate structure. The merger eliminates duplicative regulatory efforts, leaving the OCC as the Bank's primary regulator. As a result of the merger and the Financial Stability Oversight Council's action on September 12, 2018, the Bank is no longer considered a systemically important financial institution under the Dodd-Frank Act. See "Capital Management" on page 69 for more information regarding the merger. In December 2015, the Bank consolidated its various banking charters into a single charter.
- In May 2018, the Crapo Bill was signed into law, reducing regulatory requirements for many banking institutions and exempting the Bank from the capital planning actions as required by the Dodd-Frank Act.
- With the improvement in profitability and our risk profile, the Bank's capital stress test results have markedly improved during the past few years, and as such, we have increased the return on- and of-capital to shareholders, including increasing the common dividend from $0.16 per share in 2014 to $1.04 per share in 2018. Additionally, we repurchased $670 million of common stock during 2018, which is 7% of common stock outstanding as of December 31, 2017. We believe we are carrying excess capital, informed primarily by our stress test results, and have indicated that we intend to reduce our capital ratios to levels more consistent with our significantly reduced risk profile. The magnitude, timing and form of capital return will be determined by the Board.

## RESULTS OF OPERATIONS

### Executive Summary

The Bank reported net earnings applicable to common shareholders for 2018 of $850 million or $4.08 per diluted common share compared with $550 million or $2.60 per diluted common share for 2017. Although a reduction in the statutory tax rate contributed significantly to the improved earnings, adjusted PPNR increased by $141 million, or 14%, to $1.1 billion. The increase in adjusted PPNR was primarily the result of increased interest income due to loan growth and continued expense control. Additionally, net income was positively impacted by improving credit quality, as discussed in more detail below. The Bank's efficiency ratio improved to 59.6% in 2018 from 62.3% in 2017. We expect to achieve a high single-digit rate of growth in PPNR during the next several years without assuming the benefit of further benchmark interest rate increases and continue to strive for improvements to our efficiency ratio going forward.

The Bank's net interest margin ("NIM") expanded 16 basis points ("bps") for the full year of 2018 versus 2017, which was largely attributable to the favorable effects of higher interest rates on our moderately "asset sensitive" balance sheet – where asset yields repriced faster and/or to a greater degree than liabilities (see Schedule 6).

Asset quality improved considerably in 2018, reflecting strong improvements in the oil and gas-related portfolio and generally stable to moderate improvements in other loan portfolios. Relative to 2017, total criticized, classified, and nonaccrual loans declined by 37%, 38%, and 39%, respectively. Net loan recoveries, expressed as a percentage of average loans held for investment, improved to net recoveries of 0.04% in 2018 from net charge-offs of 0.17% in 2017, largely the result of loan recoveries in the oil and gas portfolio.

Specifically for 2018 relative to 2017, the improved financial performance reflects:

- Moderate net interest income growth resulting from loan growth and a generally stable securities portfolio, combined with the benefit of rising benchmark interest rates on a balance sheet that consists of assets that generally reprice faster and to a greater degree than the liabilities.
- Modest adjusted noninterest income growth due to continued focus on this source of revenue; we experienced notable successes such as generating strong growth in trust and wealth management income, increasing loan syndication arrangement fees, and arranging interest rate hedges for our loan customers.
- A slight increase in noninterest expense while we remain focused on expense controls and continue to invest in technology and simplification initiatives. We delivered on our commitment to limit adjusted noninterest expense growth in 2018 to increase only slightly relative to our 2017 results. Adjusted noninterest expense increased $31 million in 2018, or 2%, to $1.7 billion in 2018.
- A decline in the provision for credit losses from $17 million in 2017, to $(40) million in 2018 as the credit quality of loans improved.

Net earnings applicable to common shareholders increased by 55% over the prior year, and earnings per diluted share increased by 57%, a slightly stronger rate of growth than net earnings due to the repurchase of 12.9 million shares of Bank common stock during 2018.

### Areas Experiencing Challenges in 2018

Although loan growth was generally consistent with the targeted levels we had established for 2018, we experienced increased competition during the year. Some of this competition came from non-bank financial institutions such as debt funds, debt capital markets, and covenant-light structures. Additionally, some larger customers elected to refinance loans through the issuance of debt in the capital markets – an option that is not readily available to most of our customers.

Loan growth of $1.9 billion, or 4%, exceeded deposit growth of $1.5 billion, or 3%, in 2018. Consequently, we relied more on wholesale funding to finance incremental balance sheet growth, increasing our funding cost.

Noninterest income from customer-related fees increased 3% in 2018 from the prior year period, which was less than the targeted growth goal. We experienced strength in corporate investment services and wealth management

income, loan syndication fees and bankcard fees. This growth was partially offset by declines in mortgage-related fees and deposit service charges.

## Focus for 2019

In 2019, we are focused on the ongoing initiatives related to Bank profitability and returns on- and of-equity. Major areas of emphasis include the following:

- Achieve positive operating leverage
  - Achieve broad-based loan growth (i.e. low- to mid-single digit growth rate) within acceptable concentration limits
  - Achieve similar or improve upon growth rates in noninterest income, emphasizing customer-related fee income
  - Achieve greater sales volumes and revenue growth through enhanced use of data
  - Manage noninterest expense growth linked to revenue growth, profitability and digital delivery strategies
- Target high single-digit annual percentage growth rate for PPNR
- Demonstrate reduced volatility in financial performance than previously experienced
- Implement technology upgrade and digital strategies, automation and simplification of front, middle and bank office processes
- Increase the return on- and of- capital
  - Maintain top quartile credit risk profile and superior risk management posture leading to increasing returns of capital
  - Moderately increase financial leverage through the reduction of surplus common equity as informed by stress testing

*Schedule 4*

**KEY DRIVERS OF PERFORMANCE**
**2018 COMPARED TO 2017**

| Driver | 2018 | 2017 | Change better/(worse) |
|---|---|---|---|
| | *(In billions)* | | |
| Average net loans and leases | $ 45.4 | $ 43.5 | 4 % |
| Average money market investments | 1.4 | 1.5 | (7) |
| Average total securities | 15.6 | 15.7 | (1) |
| Average noninterest-bearing deposits | 23.8 | 23.8 | — |
| Average total deposits | 53.2 | 52.2 | 2 |
| | *(In millions)* | | |
| Net interest income | $ 2,230 | $ 2,065 | 8 % |
| Provision for loan losses | (39) | 24 | 263 |
| Noninterest income | 552 | 544 | 1 |
| Customer-related fee income [1] | 501 | 485 | 3 |
| Noninterest expense | 1,678 | 1,649 | (2) |
| Net interest margin | 3.61 % | 3.45% | 16 bps |
| Nonaccrual loans [2] | $ 252 | $ 414 | 39 % |
| Ratio of net charge-offs to average loans and leases | (0.04)% | 0.17% | 21 bps |
| Ratio of nonperforming lending-related assets to loans and leases and other real estate owned [2] | 0.55 % | 0.93% | 38 |
| Ratio of total allowance for credit losses to loans and leases outstanding | 1.18 % | 1.29% | 11 |

[1] *Includes the following income statement line items: service charges and fees on deposit accounts, other service charges, commissions and fees, wealth management and trust income, loan sales and servicing income and capital markets and foreign exchange income.*

[2] *Includes loans held for sale.*

## Net Interest Income

Net interest income is the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities and is more than three-quarters of our revenue. Net interest income is derived from both the volume of interest-earning assets and interest-bearing liabilities and the net yield earned on the assets and paid on the liabilities.

Net interest income improved by $165 million during 2018 compared with 2017 to $2.2 billion, an increase of 8%. For 2018, taxable-equivalent net interest income was $2.3 billion, compared with $2.1 billion and $1.9 billion, in 2017 and 2016, respectively. The tax rate used for calculating all taxable-equivalent adjustments was 21% for 2018 and 35% for all prior periods. The increase over 2017, and the previous increase over 2016, were driven by several factors, including average loan growth, noninterest-bearing deposit stability, disciplined deposit pricing and increases in benchmark interest rates. The increase from 2016 to 2017 was further impacted by a larger average securities portfolio balance. We are not assuming any further increases in benchmark rates in our forecasts. However, because of loan growth and the benefit of our noninterest-bearing deposits, we expect net interest income to increase at a moderate pace in 2019 when compared with 2018.

### Net Interest Margin and Interest Rate Spreads in 2018 vs. 2017

The NIM was 3.61% and 3.45% for 2018 and 2017, respectively. When comparing 2018 with 2017, changes in asset mix resulted in higher average loans, lower average securities and money market investments, and higher average interest-bearing deposits and wholesale borrowings balances to fund overall balance sheet growth. A significant source of NIM expansion is the increasing value of noninterest-bearing demand deposit accounts in the rising interest rate environment. Expansion of NIM reflects a higher loan yield with only a moderate increase in funding costs. Funding balance sheet growth with wholesale borrowings reduced spreads and negatively impacted NIM, although it was accretive to net interest income. The NIM was also positively impacted by increases in the federal funds target rate during 2018. Average interest-earning assets increased $1.6 billion from 2017, with average rates improving 35 bps. Average interest-bearing liabilities increased $1.5 billion and average rates also increased 35 bps over the same period.

The average balance of our investment securities portfolio decreased $0.1 billion, while year-end balances decreased $0.5 billion. Our average lending portfolio increased $1.9 billion to $45.4 billion, an increase of 4%. The net earning asset growth was funded through a mix of deposits and wholesale borrowings.

Interest expense increased $124 million compared to 2017 results, attributable to both an increase in the cost and quantity of deposits and wholesale funding. Interest expense on deposits increased $76 million on $29.4 billion of average interest-bearing deposits.

The increase in the average loan portfolio was due to growth in 1-4 family residential, commercial and industrial, and municipal lending. Yields on average balances increased by 43 bps, 45 bps, and 20 bps in the commercial, CRE and consumer portfolios, respectively. Much of the consumer growth was in consumer 1-4 family residential, where our yields are generally lower than on commercial loans. The federal funds target rate increased nine times beginning in the fourth quarter of 2015, which has had a positive impact on NIM and spreads, as our earning assets generally reprice more quickly than our funding sources. A portion of our variable-rate loans were not affected by these changes primarily due to longer reset frequency, or because a substantial portion of our earning assets are tied to longer-term rates indices, which rates were impacted by a relatively flat yield curve for much of 2018. Additionally, NIM benefited from FDIC-supported loans by 1 and 3 bps in 2018 and 2017, respectively. We expect moderate to strong growth in 1-4 family, municipal, commercial and industrial, and owner-occupied loans and stable-to-moderate growth in CRE and oil and gas-related loans.

Average noninterest-bearing demand deposits provided us with low-cost funding and comprised 45% of average total deposits, which totaled $53.2 billion in 2018, compared with 46% of average total deposits, which totaled $52.2 billion, for 2017. Average interest-bearing deposits increased 3% in 2018, compared with 2017. Over the past 12 months the Federal Reserve has increased the overnight benchmark federal funds rate by 100 bps, while the rate

paid on the Bank's interest-bearing deposits increased 25 bps, implying a deposit beta of 25%. We have been selectively increasing deposit pricing in certain markets and with certain clients, but we have not generally experienced significant pressure to broadly increase deposit rates. Although we consider a wide variety of sources when determining our funding needs, we benefit from access to deposits from a significant number of small to mid-sized business customers, which provide us with a low cost of funds and have a positive impact on our NIM. Including wholesale borrowings, the rate paid on interest-bearing liabilities increased 35 bps.

The average balance of long-term debt increased $118 million compared with 2017, while the average rate decreased 58 bps. During the third quarter 2018, the Bank issued a $500 million senior note with an interest rate of 3.5%. Overall interest expense on long-term debt increased $4 million. The Bank has used short-term Federal Home Loan Bank ("FHLB") borrowings to fund some of its balance sheet growth during the past couple of years. Average short-term debt grew $0.5 billion and the rate paid increased 88 bps. Further changes in short-term borrowings will be driven by balancing changes in deposits and loans as we do not foresee significant increases in investment security balances.

The spread on average interest-bearing funds was 3.28% in 2018 and 3.27% in 2017, respectively. The spread on average interest-bearing funds for these periods was affected by the same factors that had an impact on the NIM.

Interest rate spreads and margin are impacted by the mix of assets we hold, the composition of our loan and securities portfolios and the type of funding used. We expect the yield of the loan portfolio to increase somewhat due to the effects of rising interest rates in 2018, partially offset by a continued modest change in the mix of the portfolio (increasing concentration in lower-yielding residential mortgages), as well as reduced income from higher-yielding loans purchased from the FDIC in 2009.

Our estimates of the Bank's interest rate risk position are highly dependent upon a number of assumptions regarding the repricing behavior of various deposit and loan types in response to changes in both short-term and long-term interest rates, balance sheet composition, and other modeling assumptions, as well as the actions of competitors and customers in response to those changes. Although the federal funds target rate has increased 225 bps since the fourth quarter of 2015, we have not experienced significant migration of our noninterest-bearing deposits which we attribute to the operating nature of many of our deposit accounts. Further detail on interest rate risk is discussed in "Interest Rate and Market Risk Management" on page 62.

Refer to the "Liquidity Risk Management" section beginning on page 65 for more information on how we manage liquidity risk.

### Net Interest Margin and Interest Rate Spreads in 2017 vs. 2016

The NIM was 3.45% and 3.37% for 2017 and 2016, respectively. Compared with 2016, changes in asset mix resulted in higher securities and loan balances, lower balances in money market investments, and higher balances of wholesale borrowings to fund overall balance sheet growth. Moving funds from money market investments to loans and securities had a positive impact on NIM. The NIM was also positively impacted by several increases in short-term interest rates. Average interest-earning assets increased $4.7 billion from 2016, with average rates improving 14 bps. Average interest-bearing liabilities increased $3.6 billion and average rates increased 8 bps over the same period.

The average loan portfolio increased $1.4 billion, or 3% from 2016, with the majority of growth coming from 1-4 family residential, commercial and industrial, and municipal lending. Yields on average balances increased overall, buoyed by increases of 16 bps and 26 bps in the commercial and CRE portfolios, respectively; yields on average consumer balances were relatively flat during 2017. Additionally, NIM benefited from FDIC-supported loans by approximately 3 bps and 4 bps in 2017 and 2016, respectively.

Average available-for-sale ("AFS") securities balances increased $5.4 billion during 2017 and yields were also up 17 bps due to the effect of rising interest rates on variable-rate securities, moderation in the amount of prepayments on agency-guaranteed, mortgage-backed securities, and investment in products providing a higher yield than the

average portfolio. The purchases were funded by using lower-yielding average money market investments, which were reduced by $2.1 billion, and wholesale borrowing from the FHLB.

Average noninterest-bearing demand deposits provided us with low-cost funding and comprised 45.6% of average total deposits, which totaled $52.2 billion in 2017, compared with 44.4% of average total deposits, which totaled $50.6 billion, for 2016. Average interest-bearing deposits increased only 1% in 2017, compared with 2016. The average balance of long-term debt decreased $286 million compared with 2016 and the average rate increased 61 bps in the current year while interest expense decreased $13 million from 2016. The rate increased because the remaining debt was at a higher average rate than the rate on debt that matured and was available to be called.

The spread on average interest-bearing funds was 3.27% and 3.23% for 2017 and 2016, respectively. The spread on average interest-bearing funds for these periods was affected by the same factors that had an impact on the NIM. Refer to the “Liquidity Risk Management” section beginning on page 65 for more information on how we manage liquidity risk.

*Schedule 5*

**AVERAGE BALANCE SHEETS, YIELDS AND RATES**

| *(Dollar amounts in millions)* | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Average balance | Amount of interest [1] | Average rate | Average balance | Amount of interest [1] | Average rate |
| ASSETS | | | | | | |
| Money market investments | $ 1,360 | $ 29 | 2.12% | $ 1,539 | $ 19 | 1.23% |
| Securities: | | | | | | |
| Held-to-maturity | 781 | 28 | 3.56 | 776 | 31 | 3.95 |
| Available-for-sale | 14,712 | 328 | 2.23 | 14,907 | 313 | 2.10 |
| Trading account | 109 | 4 | 3.97 | 64 | 2 | 3.75 |
| Total securities | 15,602 | 360 | 2.31 | 15,747 | 346 | 2.20 |
| Loans held for sale | 53 | 2 | 4.63 | 87 | 3 | 3.56 |
| Loans and leases [2] | | | | | | |
| Commercial | 23,333 | 1,118 | 4.79 | 22,116 | 964 | 4.36 |
| Commercial real estate | 11,079 | 549 | 4.95 | 11,184 | 504 | 4.50 |
| Consumer | 11,013 | 445 | 4.04 | 10,201 | 391 | 3.84 |
| Total Loans and leases | 45,425 | 2,112 | 4.65 | 43,501 | 1,859 | 4.27 |
| Total interest-earning assets | 62,440 | 2,503 | 4.01 | 60,874 | 2,227 | 3.66 |
| Cash and due from banks | 549 | | | 786 | | |
| Allowance for loan losses | (495) | | | (548) | | |
| Goodwill and intangibles | 1,015 | | | 1,019 | | |
| Other assets | 3,060 | | | 2,985 | | |
| Total assets | $ 66,569 | | | $ 65,116 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Saving and money market | $ 25,480 | 81 | 0.32 | $ 25,453 | 39 | 0.15 |
| Time | 3,876 | 54 | 1.38 | 2,966 | 20 | 0.69 |
| Foreign | — | — | — | — | — | — |
| Total interest-bearing deposits | 29,356 | 135 | 0.46 | 28,419 | 59 | 0.21 |
| Borrowed funds: | | | | | | |
| Federal funds purchased and other short-term borrowings | 4,562 | 88 | 1.93 | 4,096 | 44 | 1.05 |
| Long-term debt | 535 | 28 | 5.21 | 417 | 24 | 5.79 |
| Total borrowed funds | 5,097 | 116 | 2.27 | 4,513 | 68 | 1.49 |
| Total interest-bearing liabilities | 34,453 | 251 | 0.73 | 32,932 | 127 | 0.38 |
| Noninterest-bearing deposits | 23,827 | | | 23,781 | | |
| Total deposits and interest-bearing liabilities | 58,280 | 251 | 0.43 | 56,713 | 127 | 0.22 |
| Other liabilities | 699 | | | 624 | | |
| Total liabilities | 58,979 | | | 57,337 | | |
| Shareholders' equity: | | | | | | |
| Preferred equity | 566 | | | 631 | | |
| Common equity | 7,024 | | | 7,148 | | |
| Total shareholders' equity | 7,590 | | | 7,779 | | |
| Total liabilities and shareholders' equity | $ 66,569 | | | $ 65,116 | | |
| Spread on average interest-bearing funds | | | 3.28 | | | 3.27 |
| Taxable-equivalent net interest income and net yield on interest-earning assets | | $ 2,252 | 3.61 | | $ 2,100 | 3.45 |
| Memo: total cost of deposits | | | 0.25 | | | 0.11 |

[1] *Taxable-equivalent rates used where applicable. See "GAAP to Non-GAAP Reconciliations" on page 27 for more information regarding taxable-equivalent net interest income.*

[2] *Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.*

| 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|
| Average balance | Amount of interest [1] | Average rate | Average balance | Amount of interest [1] | Average rate | Average balance | Amount of interest [1] | Average rate |
| $ 3,664 | $ 21 | 0.59% | $ 8,252 | $ 23 | 0.28% | $ 8,218 | $ 21 | 0.26% |
| | | | | | | | | |
| 675 | 30 | 4.40 | 581 | 30 | 5.08 | 609 | 32 | 5.27 |
| 9,546 | 184 | 1.93 | 5,181 | 100 | 1.93 | 3,472 | 75 | 2.17 |
| 83 | 3 | 3.76 | 64 | 2 | 3.46 | 61 | 2 | 3.22 |
| 10,304 | 217 | 2.11 | 5,826 | 132 | 2.26 | 4,142 | 109 | 2.64 |
| 140 | 5 | 3.36 | 125 | 5 | 3.61 | 128 | 5 | 3.63 |
| | | | | | | | | |
| 21,748 | 913 | 4.20 | 21,419 | 903 | 4.22 | 21,125 | 922 | 4.36 |
| 11,131 | 472 | 4.24 | 10,178 | 454 | 4.46 | 10,337 | 484 | 4.68 |
| 9,183 | 351 | 3.83 | 8,574 | 334 | 3.91 | 8,060 | 328 | 4.06 |
| 42,062 | 1,736 | 4.13 | 40,171 | 1,691 | 4.21 | 39,522 | 1,734 | 4.39 |
| 56,170 | 1,979 | 3.52 | 54,374 | 1,851 | 3.40 | 52,010 | 1,869 | 3.59 |
| 675 | | | 642 | | | 894 | | |
| (601) | | | (607) | | | (690) | | |
| 1,027 | | | 1,035 | | | 1,045 | | |
| 2,779 | | | 2,601 | | | 2,623 | | |
| $ 60,050 | | | $ 58,045 | | | $ 55,882 | | |
| | | | | | | | | |
| | | | | | | | | |
| $ 25,672 | 37 | 0.15 | $ 24,619 | 38 | 0.16 | $ 23,532 | 37 | 0.16 |
| 2,333 | 12 | 0.49 | 2,274 | 10 | 0.43 | 2,490 | 12 | 0.46 |
| 128 | — | 0.28 | 379 | 1 | 0.18 | 642 | 1 | 0.18 |
| 28,133 | 49 | 0.18 | 27,272 | 49 | 0.18 | 26,664 | 50 | 0.19 |
| | | | | | | | | |
| 456 | 1 | 0.27 | 235 | — | 0.14 | 223 | — | 0.11 |
| 703 | 37 | 5.18 | 1,016 | 69 | 6.75 | 1,803 | 123 | 6.82 |
| 1,159 | 38 | 3.25 | 1,251 | 69 | 5.51 | 2,026 | 123 | 6.09 |
| 29,292 | 87 | 0.30 | 28,523 | 118 | 0.41 | 28,690 | 173 | 0.60 |
| 22,462 | | | 21,366 | | | 19,610 | | |
| 51,754 | 87 | 0.15 | 49,889 | 118 | 0.20 | 48,300 | 173 | 0.29 |
| 625 | | | 592 | | | 554 | | |
| 52,379 | | | 50,481 | | | 48,854 | | |
| | | | | | | | | |
| 756 | | | 983 | | | 1,004 | | |
| 6,915 | | | 6,581 | | | 6,024 | | |
| 7,671 | | | 7,564 | | | 7,028 | | |
| $ 60,050 | | | $ 58,045 | | | $ 55,882 | | |
| | | 3.23 | | | 2.99 | | | 2.99 |
| | $ 1,892 | 3.37 | | $ 1,733 | 3.19 | | $ 1,696 | 3.26 |
| | | 0.10 | | | 0.10 | | | 0.11 |

Schedule 6 analyzes the year-to-year changes in net interest income on a fully taxable-equivalent basis for the years indicated. For purposes of calculating the yields in these schedules, the average loan balances also include the principal amounts of nonaccrual and restructured loans. However, interest received on nonaccrual loans is included in income only to the extent that cash payments have been received and not applied to principal reductions. In addition, interest on restructured loans is generally accrued at reduced rates.

*Schedule 6*

**ANALYSIS OF INTEREST CHANGES DUE TO VOLUME AND RATE**

| | 2018 over 2017 | | | 2017 over 2016 | | |
|---|---|---|---|---|---|---|
| | Changes due to | | Total | Changes due to | | Total |
| *(In millions)* | Volume | Rate[1] | changes | Volume | Rate[1] | changes |
| **INTEREST-EARNING ASSETS** | | | | | | |
| Money market investments | $ (2) | $ 12 | $ 10 | $ (12) | $ 10 | $ (2) |
| Securities: | | | | | | |
| Held-to-maturity | — | (3) | (3) | 4 | (3) | 1 |
| Available-for-sale | (4) | 19 | 15 | 111 | 18 | 129 |
| Trading account | 2 | — | 2 | (1) | — | (1) |
| Total securities | (2) | 16 | 14 | 114 | 15 | 129 |
| Loans held for sale | (1) | — | (1) | (2) | — | (2) |
| Loans and leases[2] | | | | | | |
| Commercial | 55 | 99 | 154 | 16 | 35 | 51 |
| Commercial Real Estate | (5) | 50 | 45 | 2 | 30 | 32 |
| Consumer | 32 | 22 | 54 | 38 | 2 | 40 |
| Total loans and leases | 82 | 171 | 253 | 56 | 67 | 123 |
| Total interest-earning assets | 77 | 199 | 276 | 156 | 92 | 248 |
| **INTEREST-BEARING LIABILITIES** | | | | | | |
| Interest-bearing deposits: | | | | | | |
| Saving and money market | (1) | 43 | 42 | — | 2 | 2 |
| Time | 8 | 26 | 34 | 3 | 5 | 8 |
| Total interest-bearing deposits | 7 | 69 | 76 | 3 | 7 | 10 |
| Borrowed funds: | | | | | | |
| Federal funds purchased and other short-term borrowings | 4 | 40 | 44 | 31 | 12 | 43 |
| Long-term debt | 6 | (2) | 4 | (15) | 2 | (13) |
| Total borrowed funds | 10 | 38 | 48 | 16 | 14 | 30 |
| Total interest-bearing liabilities | 17 | 107 | 124 | 19 | 21 | 40 |
| Change in taxable-equivalent net interest income | $ 60 | $ 92 | $ 152 | $ 137 | $ 71 | $ 208 |

[1] *Taxable-equivalent rates used where applicable.*

[2] *Net of unearned income and fees, net of related costs. Loans include nonaccrual and restructured loans.*

*In the analysis of interest changes due to volume and rate, changes due to the volume/rate variance are allocated to volume with the following exceptions: when volume and rate both increase, the variance is allocated proportionately to both volume and rate; when the rate increases and volume decreases, the variance is allocated to rate.*

## Provision for Credit Losses

The provision for credit losses is the combination of both the provision for loan losses and the provision for unfunded lending commitments. The provision for loan losses is the amount of expense that, in our judgment, is required to maintain the ALLL at an adequate level based on the inherent risks in the loan portfolio. The provision for unfunded lending commitments is used to maintain the reserve for unfunded lending commitments ("RULC") at an adequate level based on the inherent risks associated with such commitments. In determining adequate levels of the ALLL and RULC, we perform periodic evaluations of our various loan portfolios, the levels of actual charge-offs, credit quality trends, and external factors. See Note 6 of the Notes to Consolidated Financial Statements and

"Credit Risk Management" on page 52 for more information on how we determine the appropriate level for the ALLL and the RULC.

The provision for loan losses was $(39) million in 2018, compared with $24 million in 2017. Credit quality was strong throughout 2018, with continued significant improvement in the oil and gas-related portfolio. Classified and nonaccrual loans in the total portfolio declined by $435 million and $162 million, respectively. Net recoveries totaled $16 million in 2018, compared with $73 million in net charge-offs in 2017. These improvements in both credit quality and net charge-offs resulted in the lower provision.

The provision for unfunded lending commitments was $(1) million in 2018, compared with $(7) million in 2017. The change in the provision in 2018 from 2017 was primarily due to increased unfunded lending commitments, partially offset by credit quality improvements in the oil and gas-related portfolio. The negative provision in 2017 was primarily due to improved credit quality assessments related to obligations for credits outside the oil and gas-related portfolio, along with declining oil and gas-related exposure. From quarter to quarter, the provision for unfunded lending commitments may be subject to sizable fluctuations due to changes in the timing and volume of loan commitments, originations, fundings, and changes in credit quality.

The allowance for credit losses ("ACL"), which is the combination of both the ALLL and the RULC, decreased by $24 million during 2018. Strong credit quality in 2018, highlighted by improvement in the oil and gas-related portfolio, was responsible for much of this reduction. Further, increasing non-oil and gas-related commercial and industrial and 1-4 family residential mortgage exposure, also improved the risk profile of the total portfolio.

### Noninterest Income

Noninterest income represents revenues we earn for products and services that have no associated interest rate or yield. Noninterest income accounted for 18% and 20% of total revenue during 2018 and 2017, respectively. For 2018, noninterest income was $552 million compared with $544 million in 2017 and $516 million in 2016.

During 2018, we experienced strength in corporate investment services and wealth management income, loan syndication fees, bankcard fees and merchant account fees while experiencing declines in deposit-related service charges and mortgage-related fees. The improvement in corporate investment services income was primarily due to increases in the revenue share received from the higher balances in money market mutual funds. Rising interest rates resulted in improved returns for money market mutual funds, thus driving the increase in balances. Deposit service charge income experienced slight resistance due, in part, to rising interest rates as discussed below. Rising interest rates also adversely impacted mortgage banking activity.

We believe a subtotal of customer-related fees provides a better view of income over which we have more direct control. It excludes items such as dividends, insurance-related income, mark-to-market adjustments on certain derivatives, and securities gains and losses.

Schedule 7 presents a comparison of the major components of noninterest income for the past three years.

*Schedule 7*

**NONINTEREST INCOME**

| *(Dollar amounts in millions)* | 2018 | Amount change | Percent change | 2017 | Amount change | Percent change | 2016 |
|---|---|---|---|---|---|---|---|
| Service charges and fees on deposit accounts | $ 166 | $ (5) | (3)% | $ 171 | $ — | — % | $ 171 |
| Other service charges, commissions and fees | 228 | 11 | 5 | 217 | 9 | 4 | 208 |
| Wealth management and trust income | 51 | 9 | 21 | 42 | 5 | 14 | 37 |
| Loan sales and servicing income | 25 | — | — | 25 | (10) | (29) | 35 |
| Capital markets and foreign exchange | 31 | 1 | 3 | 30 | 8 | 36 | 22 |
| Customer-related fees | 501 | 16 | 3 | 485 | 12 | 3 | 473 |
| Dividends and other investment income | 43 | 3 | 8 | 40 | 16 | 67 | 24 |
| Securities gains, net | 1 | (13) | (93) | 14 | 7 | (100) | 7 |
| Other | 7 | 2 | 40 | 5 | (7) | (58) | 12 |
| Total noninterest income | $ 552 | $ 8 | 1 | $ 544 | $ 28 | 5 | $ 516 |

Service charges and fees on deposit accounts decreased by $5 million, or 3%, during 2018 and has been static or slightly decreasing for the last several years. A primary driver of the decline in service charges and fees was softening of high transaction volume customers. A secondary driver of this decline could be attributed to rising interest rates, which may influence increases in the earning credit rate due to customer expectations. The earnings credit rate (ECR) is a daily calculation of soft dollar credit that a bank pays on customer's noninterest-bearing deposits on Account Analysis. This credit can be used to offset service charges on a customer's analyzed account. As the ECR increases, customers offset more of their deposit service charges, thus the potential softening in noninterest income.

Other service charges, commissions and fees, which are comprised of automated teller machine ("ATM") fees, insurance commissions, bankcard merchant fees, debit and credit card interchange fees, cash management fees, and other miscellaneous fees, increased by $11 million, or 5%, compared with 2017. The increase relates mainly to higher credit card interchange fees and exchange and other fees. In 2017 other service charges, commissions and fees increased by $9 million compared with 2016. The increase was primarily a result of the same items mentioned previously.

Wealth management and trust income increased by $9 million, or 21%. The change was due to trust income, with improvement in both corporate and personal trust revenue due to platform and product simplifications. Wealth management and trust income increased $5 million between 2017 and 2016 for the same reasons.

Securities gains, net, decreased $13 million during 2018 as a result of $13 million of increases in the market value of the Bank's Small Business Investment Company ("SBIC") investments in 2017 that did not reoccur to the same magnitude in 2018. Securities gains, net in 2017 increased from 2016 as a result of higher increases in the market values of the Bank's SBIC investments.

Dividends and other investment income increased $16 million between 2017 and 2016, primarily due to $14 million of gains across many of our cost and equity method investments.

Loan sales and servicing income decreased $10 million between 2017 and 2016. During 2017, we ceased selling servicing-released mortgage loans to Freddie Mac, and therefore no longer received the associated servicing premiums for doing so, which decreased income by $11 million. In general, servicing income increased slightly in 2017. We also had particularly large valuation gains during 2016 on agricultural loan servicing assets accounted for at fair value, which did not repeat to the same extent in 2017.

## Noninterest Expense

As mentioned previously, we delivered on our commitment to limit adjusted noninterest expense growth in 2018 to increase only slightly relative to our 2017 results. Both noninterest expense and adjusted noninterest expense were $1.7 billion in 2018 compared to $1.6 billion in both 2017 and 2016. Noninterest expense increased $29 million, or 2%, and adjusted noninterest expense increased $31 million, also 2%, in 2018. (see "GAAP to Non-GAAP Reconciliations" on page 27 for more information regarding the calculation of adjusted noninterest expense).

We have developed a culture that continually seeks to streamline and make more simple and efficient the processes required to operate. To this end, in 2018 we successfully completed the merger of the holding company with and into the bank subsidiary. The consolidation of our seven bank charters at the end of 2015 almost entirely eliminated the need for the holding company; the consolidation of the holding company into the bank reduced duplicative regulatory examinations and certain regulatory requirements. The Bank remains focused on expense control efforts, while continuing to invest in technology initiatives.

Schedule 8 presents a comparison of the major components of noninterest expense for the past three years.

*Schedule 8*

**NONINTEREST EXPENSE**

| *(Dollar amounts in millions)* | 2018 | Amount change | Percent change | 2017 | Amount change | Percent change | 2016 |
|---|---|---|---|---|---|---|---|
| Salaries and employee benefits | $ 1,070 | $ 64 | 6 % | $ 1,006 | $ 28 | 3 % | $ 978 |
| Occupancy, net | 132 | 3 | 2 | 129 | 4 | 3 | 125 |
| Furniture, equipment and software, net | 126 | (4) | (3) | 130 | 5 | 4 | 125 |
| Other real estate expense, net | 1 | 2 | (200) | (1) | 1 | (50) | (2) |
| Credit-related expense | 25 | (4) | (14) | 29 | 4 | 16 | 25 |
| Provision for unfunded lending commitments | (1) | 6 | (86) | (7) | 3 | (30) | (10) |
| Professional and legal services | 52 | (5) | (9) | 57 | 1 | 2 | 56 |
| Advertising | 26 | 4 | 18 | 22 | — | — | 22 |
| FDIC premiums | 50 | (3) | (6) | 53 | 13 | 33 | 40 |
| Other | 197 | (34) | (15) | 231 | 5 | 2 | 226 |
| Total noninterest expense | $ 1,678 | $ 29 | 2 | $ 1,649 | $ 64 | 4 | $ 1,585 |

Salaries and employee benefits increased by $64 million, or 6%, in 2018, compared with 2017. Salaries and employee benefits increased primarily due to a $29 million increase in base salaries resulting from salary increases related to the Tax Cuts and Jobs Act, merit increases and increased headcount, and a $19 million increase in incentive compensation, of which $7 million relates to the Tax Cuts and Jobs Act. The remaining $16 million increase was primarily a result of an $8 million increase in the Bank's medical plans and a $7 million increase in the Bank's contribution to the employee 401(k) plan, as a result of improved financial performance, including the profit sharing contribution which increased to 2.5% of eligible compensation in 2018 from 1.75% in 2017. Our investment in major systems projects has led to headcount increases in more highly compensated roles.

Salaries and employee benefits increased by $28 million, or 3%, in 2017, compared with 2016. Base salaries were up in 2017, as employee salary expense rose roughly in line with inflation. Employee bonuses were up, partially due to lower incentive compensation for management in 2016 and larger commission expense in 2017. Benefits expense increased $11 million, or 8%, in 2017, primarily due to higher costs in the Bank's medical plans and an increase in profit sharing expense.

*Schedule 9*

**SALARIES AND EMPLOYEE BENEFITS**

| *(Dollar amounts in millions)* | 2018 | Amount/quantity change | Percent change | 2017 | Amount/quantity change | Percent change | 2016 |
|---|---|---|---|---|---|---|---|
| Salaries and bonuses | $ 895 | $ 46 | 5% | $ 849 | $ 17 | 2 % | $ 832 |
| Employee benefits: | | | | | | | |
| Employee health and insurance | 77 | 8 | 12 | 69 | 7 | 11 | 62 |
| Retirement | 45 | 7 | 18 | 38 | 7 | 23 | 31 |
| Payroll taxes and other | 53 | 3 | 6 | 50 | (3) | (6) | 53 |
| Total benefits | 175 | 18 | 11 | 157 | 11 | 8 | 146 |
| Total salaries and employee benefits | $ 1,070 | $ 64 | 6 | $ 1,006 | $ 28 | 3 | $ 978 |
| Full-time equivalent employees at December 31 | 10,201 | 118 | 1 | 10,083 | 26 | — | 10,057 |

Occupancy expense was up $3 million, or 2%, in 2018 primarily due to increased property taxes and depreciation expense, partially offset by increased rental income. Occupancy expense was up $4 million in 2017 when compared to 2016. We placed a newly constructed office building into operation during the first quarter of 2017 and increased rental income from higher occupancies of leased space began in the latter-half of 2017 and 2018.

Furniture and equipment expense decreased $4 million, or 3%, in 2018 primarily from decreased maintenance expense, partially offset by increased amortization of capitalized software. Furniture and equipment expense increased $5 million in 2017 mainly due to increased amortization expense. During 2017, we successfully implemented the first phase of the TCS BαNCS® core servicing system. The second phase of the Core Transformation Project, which replaces the Bank's primary commercial lending systems, was deployed in the February of 2019 and we are in the process of finalizing the full implementation.

The provision for unfunded lending commitments was $(1) million in 2018 compared to $(7) million in 2017 and $(10) million in 2016, and is discussed previously in the Provision for Credit Losses section.

Professional and legal services decreased $5 million from 2017 to $52 million in 2018. The decrease was primarily a result of lower consulting fees related to our simplification and technology initiatives.

FDIC premiums were $50 million, $53 million, and $40 million, in 2018, 2017, and 2016, respectively. The decrease in 2018 is primarily due to the elimination of the FDIC surcharge for large banks because the required Deposit Insurance Fund reserve ratio has been met. The increase during 2017 when compared to 2016 was due to higher deposit bases and the FDIC's increase in deposit insurance assessments that occurred in the third quarter of 2016. This increase during 2017 was somewhat offset by a reduction in the Bank's overall rate resulting from the consolidation of the individual bank charters.

Other noninterest expense was $197 million in 2018, compared with $231 million in 2017. This decrease was primarily due to the one-time $12 million charitable contribution made at the end of 2017 and a decrease in employee and operational expenses resulting from the Bank's simplification and efficiencies initiatives.

In October 2018, the Bank decided to terminate its pension plan subject to obtaining necessary regulatory approval. Completion of this termination is expected in early 2020. Plan participant benefits will not be disadvantaged because of this decision. At the time of final liquidation additional noninterest expense will be recognized for pension amounts remaining in other comprehensive income ("OCI"), as well as expense related to purchasing annuities for participants who elect that distribution method. As of December 31, 2018, the pension plan was overfunded by $19 million, compared with $14 million as of December 31, 2017. The qualified pension OCI balance at December 31, 2018 was a $27 million loss before adjusting for tax effects. The expense related to purchasing annuities is highly dependent on individual participant elections between lump-sum distribution options

and an annuity option, in addition to market competitiveness in the annuity bid process. The current estimate of this expense is $5 million to $15 million, and is subject to change depending upon the previously mentioned factors.

### Income Taxes

Income tax expense was $259 million in 2018, $344 million in 2017, and $236 million in 2016. Our effective income tax rates were 22.7% in 2018, 36.8% in 2017, and 33.5% in 2016. The income tax rates for all tax years were reduced by nontaxable municipal interest income and nontaxable income from certain bank-owned life insurance. The income tax rate for 2018 was positively impacted by the decrease in the corporate federal income tax rate to 21% from 35% due to the Tax Cuts and Jobs Act, which was effective January 1, 2018. This rate benefit was partially reduced by the non-deductibility of FDIC premiums, certain executive compensation and other fringe benefits as enacted by the new tax law.

The tax rate for 2017 was also impacted by a one-time $18 million benefit to tax expense related to the reevaluation of state tax positions, an excess tax benefit of $9 million from the implementation of new accounting guidance related to share-based compensation, and an estimated net DTA write-off of $47 million through income tax expense associated with the decrease in the federal income tax rate from the passage of new legislation.

The Bank continued to invest in technology initiatives and increased investment in municipal securities during 2018, 2017, and 2016, generating tax credits and nontaxable income that benefited the tax rate each year.

We had a net DTA balance of $130 million at December 31, 2018, compared with $93 million at December 31, 2017. The increase in the net DTA resulted primarily from the increase in accrued compensation and unrealized losses in OCI related to securities, and the decrease in deferred tax liabilities related to the deferred gain on a prior period debt exchange. Net charge-offs exceeding the provision for loan losses, an increase in deferred loan fees and accelerated tax deductions on certain technology initiatives and depreciable property during 2018 offset some of the overall increase in DTA. We did not record any additional valuation allowance for GAAP purposes as of December 31, 2018.

Note 19 of the Notes to Consolidated Financial Statements discloses more information about the Bank's evaluation of its DTA, including any potential additional valuation allowances, and the impact of the Tax Cuts and Jobs Act on the Bank.

### Preferred Stock Dividends and Redemption

In 2018 preferred stock dividends were $34 million, a decrease of $6 million from $40 million in 2017. In 2017 preferred stock dividends decreased by $8 million from 2016. We completed tender offers of $144 million of Series F, and $118 million of Series I, J, and G in the second quarters of 2017, and 2016, respectively. Preferred dividends are expected to be $34 million for 2019. See further details in Note 13 of the Notes to Consolidated Financial Statements.

## BUSINESS SEGMENT RESULTS

We manage our operations and prepare management reports and other information with a primary focus on geographical area. Our banking operations are managed under their own individual brand names, including Zions Bank, Amegy Bank, California Bank & Trust, National Bank of Arizona ("NBAZ"), Nevada State Bank ("NSB"), Vectra Bank Colorado ("Vectra"), and The Commerce Bank of Washington ("TCBW"). Performance assessment and resource allocation are based upon this geographical structure. Most of the lending and other decisions affecting customers are made at the local level. The accounting policies of the individual segments are the same as those of the Bank. We allocate the cost of centrally provided services to the business segments based upon estimated or actual usage of those services. We also use an internal Funds Transfer Pricing ("FTP") allocation system to report results of operations for business segments. This process is continually refined. The operating segment identified as "Other" includes certain nonbank financial service subsidiaries, centralized back-office functions, and eliminations of transactions between segments. See Note 21 of the Notes to Consolidated Financial Statements for more information on the Other segment.

During 2018, our banking operations experienced improved financial performance when compared with 2017. Common areas of financial performance experienced at various levels of the segments include:

- increased loan balances across all geographies;
- improvements in credit quality resulted in reductions of the provision for loan losses; and
- growth in customer deposit balances across almost all segments.

Schedule 10 shows selected financial information for our business segments. Ratios are calculated based on amounts in thousands.

*Schedule 10*

**SELECTED SEGMENT INFORMATION**

| | Zions Bank | | | Amegy | | | CB&T | | |
|---|---|---|---|---|---|---|---|---|---|
| *(Dollar amounts in millions)* | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| **KEY FINANCIAL INFORMATION** | | | | | | | | | |
| Total average loans | $ 12,643 | $ 12,481 | $ 12,538 | $ 11,358 | $ 11,021 | $ 10,595 | $ 10,033 | $ 9,539 | $ 9,211 |
| Total average deposits | 15,874 | 15,986 | 15,991 | 11,160 | 11,096 | 11,130 | 11,268 | 11,030 | 10,827 |
| Income before income taxes | 379 | 344 | 369 | 382 | 239 | 94 | 297 | 262 | 220 |
| **CREDIT QUALITY** | | | | | | | | | |
| Provision for loan losses | $ 7 | $ 19 | $ (22) | $ (75) | $ 25 | $ 163 | $ 14 | $ (5) | $ (9) |
| Net loan and lease charge-offs | 1 | 34 | 13 | (17) | 41 | 123 | 4 | 1 | (1) |
| Ratio of net charge-offs to average loans and leases | 0.01% | 0.27% | 0.11% | (0.15)% | 0.37% | 1.16% | 0.04% | 0.01% | (0.01)% |
| Allowance for loan losses | $ 136 | $ 130 | $ 145 | $ 189 | $ 247 | $ 263 | $ 79 | $ 69 | $ 74 |
| Ratio of allowance for loan losses to net loans and leases, at year-end | 1.07% | 1.04% | 1.16% | 1.67 % | 2.24% | 2.48% | 0.79% | 0.72% | 0.80 % |
| Nonperforming lending-related assets | $ 69 | $ 85 | $ 105 | $ 75 | $ 236 | $ 360 | $ 48 | $ 47 | $ 42 |
| Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned | 0.53% | 0.68% | 0.83% | 0.65 % | 2.07% | 3.39% | 0.45% | 0.47% | 0.45 % |
| Accruing loans past due 90 days or more | $ 5 | $ 11 | $ 10 | $ 1 | $ 1 | $ 7 | $ 1 | $ 9 | $ 19 |
| Ratio of accruing loans past due 90 days or more to net loans and leases | 0.04% | 0.09% | 0.08% | 0.01 % | 0.01% | 0.06% | 0.01% | 0.09% | 0.20 % |

| *(Dollar amounts in millions)* | NBAZ | | | NSB | | | Vectra | | | TCBW | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** |
| **KEY FINANCIAL INFORMATION** | | | | | | | | | | | | |
| Total average loans | $ 4,608 | $ 4,267 | $ 4,086 | $ 2,394 | $ 2,357 | $ 2,284 | $ 2,924 | $ 2,644 | $ 2,469 | $ 1,118 | $ 926 | $ 791 |
| Total average deposits | 4,931 | 4,762 | 4,576 | 4,286 | 4,254 | 4,137 | 2,761 | 2,756 | 2,720 | 1,092 | 1,107 | 1,007 |
| Income before income taxes | 110 | 104 | 89 | 48 | 43 | 52 | 51 | 50 | 54 | 36 | 29 | 24 |
| **CREDIT QUALITY** | | | | | | | | | | | | |
| Provision for loan losses | $ 7 | $ (8) | $ (3) | $ — | $ (11) | $ (28) | $ 5 | $ 1 | $ (8) | $ 2 | $ 2 | $ — |
| Net loan and lease charge-offs | — | (2) | — | (4) | (3) | (5) | — | 2 | — | — | — | — |
| Ratio of net charge-offs to average loans and leases | —% | (0.04)% | —% | (0.15)% | (0.13)% | (0.21)% | 0.01% | 0.09% | 0.01% | —% | 0.02% | 0.02% |
| Allowance for loan losses | $ 35 | $ 28 | $ 35 | $ 15 | $ 11 | $ 19 | $ 29 | $ 24 | $ 25 | $ 11 | $ 9 | $ 7 |
| Ratio of allowance for loan losses to net loans and leases, at year-end | 0.76% | 0.66 % | 0.85% | 0.61 % | 0.48 % | 0.83 % | 0.99% | 0.91% | 1.01% | 0.98% | 0.93% | 0.91% |
| Nonperforming lending-related assets | $ 18 | $ 17 | $ 31 | $ 16 | $ 17 | $ 20 | $ 20 | $ 10 | $ 15 | $ 4 | $ 6 | $ — |
| Ratio of nonperforming lending-related assets to net loans and leases and other real estate owned | 0.39% | 0.39 % | 0.73% | 0.65 % | 0.73 % | 0.84 % | 0.66% | 0.35% | 0.59% | 0.38% | 0.56% | 0.02% |
| Accruing loans past due 90 days or more | $ — | $ 1 | $ — | $ 1 | $ — | $ — | $ 2 | $ — | $ — | $ — | $ — | $ — |
| Ratio of accruing loans past due 90 days or more to net loans and leases | —% | 0.02 % | —% | 0.04 % | — % | — % | 0.07% | —% | 0.01% | —% | —% | —% |

## Zions Bank

Zions Bank is headquartered in Salt Lake City, Utah, and is primarily responsible for conducting operations in Utah, Idaho, and Wyoming. If it were a separately chartered bank, it would be the largest full-service commercial bank in Utah and the 4th largest in Idaho, as measured by domestic deposits in these states.

Zions Bank's income before income taxes increased by $35 million, or 10%, during 2018. The loan portfolio increased by $518 million during 2018, which consisted of an increase of $354 million in commercial loans and increases of $51 million and $113 million in CRE and consumer loans, respectively. The ratio of allowance for loan losses to net loans and leases increased to 1.07% at December 31, 2018 from 1.04% at December 31, 2017. Nonperforming lending-related assets declined 17% from the prior year due primarily to decreases in nonaccrual loans in the commercial owner-occupied portfolio. Deposits remained stable from 2017 to 2018.

## Amegy Bank

Amegy Bank is headquartered in Houston, Texas. If it were a separately chartered bank, it would be the 9th largest full-service commercial bank in Texas as measured by domestic deposits in the state.

Amegy's income before income taxes increased by $143 million, or 60%, during 2018. The increase in income before income taxes is mainly due to a $100 million decrease in the provision for loan losses. Amegy has been able to achieve loan portfolio growth, resulting in a $100 million increase from the prior year. During 2018, commercial and CRE loans decreased by $42 million and $244 million, respectively, while consumer loans increased by $386 million. The credit quality of Amegy's loan portfolio improved during 2018, mainly due to improvements in the oil and gas-related portfolio; the ratio of the ALLL to net loans and leases decreased to 1.67% at December 31, 2018 from 2.24% a year earlier. During 2018, nonperforming lending-related assets decreased $161 million, or 68%. Deposits increased by 5% from 2017 to 2018.

**California Bank & Trust**

California Bank & Trust is headquartered in San Diego, California. If it were a separately chartered bank, it would be the 15th largest full-service commercial bank in California as measured by domestic deposits. Its core business is built on relationship banking by providing commercial, real estate and consumer lending, depository services, international banking, cash management, and community development services.

CB&T's income before income taxes increased by $35 million, or 13%, during 2018 primarily from an increase in net interest income due to loan growth. CB&T's loan portfolio increased by $596 million in 2018 from the prior year. During 2018, CRE, commercial, and consumer loans increased by $43 million, $507 million, and $46 million, respectively. The credit quality of CB&T's loan portfolio continues to be strong as the ratio of the ALLL to net loans for 2018 was 0.79%. Deposits decreased by 1% from 2017 to 2018.

**National Bank of Arizona**

National Bank of Arizona is headquartered in Phoenix, Arizona. If it were a separately chartered bank, it would be the 5th largest full-service commercial bank in Arizona as measured by domestic deposits in the state.

NBAZ's income before income taxes increased by $6 million, or 6%, during 2018 due to increased net interest income from loan growth and improved fee revenue. The loan portfolio increased during 2018 by $232 million, composed of increases in commercial, consumer, and CRE loans of $70 million, $54 million, and $108 million, respectively. The credit quality of NBAZ's loan portfolio remained strong, the ratio of ALLL to net loans and leases being 0.76% in 2018. Deposits increased by 3% from 2017 to 2018.

**Nevada State Bank**

Nevada State Bank is headquartered in Las Vegas, Nevada. If it were a separately chartered bank, it would be the 4th largest full-service commercial bank in Nevada as measured by domestic deposits in the state. NSB focuses on serving small and mid-sized businesses as well as retail consumers, with an emphasis on relationship banking.

In 2018, NSB's income before income taxes increased by $5 million, or 12%. NSB's loans increased by $146 million during 2018, including increases of $96 million in commercial loans, $43 million in CRE loans, and $7 million in consumer loans. The credit quality of NSB's loan portfolio remained strong, and the ratio of the ALLL to net loans and leases was 0.61% at December 31, 2018. Deposits increased by 2% from 2017 to 2018.

**Vectra Bank Colorado**

Vectra Bank Colorado is headquartered in Denver, Colorado. If it were a separately a chartered bank, it would be the 11th largest full-service commercial bank in Colorado as measured by domestic deposits in the state.

In 2018, Vectra's income before income taxes increased by $1 million, or 2%. During 2018, total loans increased by $249 million, including $123 million in commercial loans, $67 million in consumer loans, and $59 million in CRE loans. The credit quality of Vectra's loan portfolio was strong, and the ratio of ALLL to net loans and leases was 0.99% at December 31, 2018. Deposits increased by 2% from 2017 to 2018.

**The Commerce Bank of Washington**

The Commerce Bank of Washington is headquartered in Seattle, Washington. It operates in Washington under The Commerce Bank of Washington name and in Portland, Oregon, under The Commerce Bank of Oregon name. Its business strategy focuses on serving the financial needs of commercial businesses, including professional services firms. TCBW has been successful in serving the greater Seattle/Puget Sound and Portland regions without requiring extensive investments in a traditional branch network. It has been innovative in effectively utilizing couriers, bank by mail, remote deposit image capture, and other technologies.

TCBW's income before income taxes increased $7 million, or 24%, during 2018. The loan portfolio increased by $60 million, including increases of $94 million in commercial loans and $25 million in consumer loans, partially

offset by a decrease of $59 million in CRE loans. Nonperforming lending-related assets decreased $2 million, and the ratio of ALLL to net loans and leases was at 0.98% in 2018. Deposits increased by 6% from 2017 to 2018.

## BALANCE SHEET ANALYSIS

### Interest-Earning Assets

Interest-earning assets are those assets that have interest rates or yields associated with them. One of our goals is to maintain a high level of interest-earning assets relative to total assets while keeping nonearning assets at a minimum. Interest-earning assets consist of money market investments, securities, loans, and leases.

Schedule 5, which we referenced in our discussion of net interest income, includes the average balances of our interest-earning assets, the amount of revenue generated by them, and their respective yields. Another goal is to maintain a higher-yielding mix of interest-earning assets, such as loans, relative to lower-yielding assets, while maintaining adequate levels of highly liquid assets. As a result of this goal we redeployed funds from lower-yielding money market investments, in addition to using wholesale borrowings, to purchase agency securities.

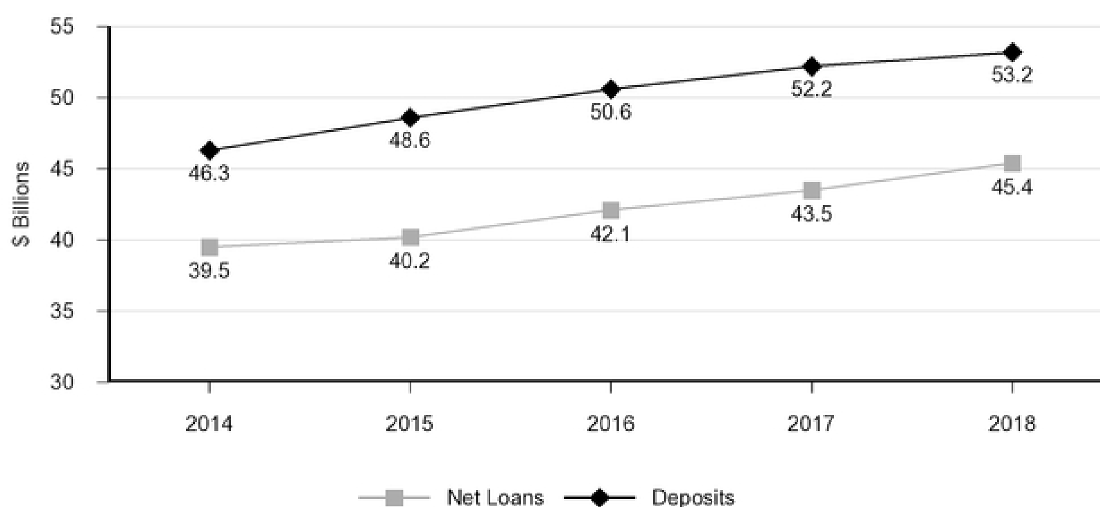
Average interest-earning assets were $62.4 billion in 2018 compared with $60.9 billion in the previous year. Average interest-earning assets as a percentage of total average assets were 94% in both 2018 and 2017.

Average loans were $45.4 billion in 2018 and $43.5 billion in 2017. Average loans as a percentage of total average assets were 68% in 2018 compared with 67% in 2017.

Average money market investments, consisting of interest-bearing deposits and federal funds sold and security resell agreements, decreased by 12% to $1.4 billion in 2018 compared with $1.5 billion in 2017. Average securities decreased by 1% from 2017. Average total deposits increased by 2%; average total loans also increased by 4% in 2018 when compared with 2017.

**AVERAGE OUTSTANDING LOANS AND DEPOSITS**

*(at December 31)*




### Investment Securities Portfolio

We invest in securities to actively manage liquidity and interest rate risk, in addition to generating revenue for the Bank. Refer to the “Liquidity Risk Management” section on page 65 for additional information on management of liquidity and funding. The following schedule presents a profile of our investment securities portfolio. The

amortized cost amounts represent the original cost of the investments, adjusted for related accumulated amortization or accretion of any yield adjustments, and for impairment losses, including credit-related impairment. The estimated fair value measurement levels and methodology are discussed in Note 3 of the Notes to Consolidated Financial Statements.

*Schedule 11*

**INVESTMENT SECURITIES PORTFOLIO**

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| *(In millions)* | Par Value | Amortized cost | Estimated fair value | Par Value | Amortized cost | Estimated fair value |
| **Held-to-maturity** | | | | | | |
| Municipal securities | $ 774 | $ 774 | $ 767 | $ 771 | $ 770 | $ 762 |
| **Available-for-sale** | | | | | | |
| U.S. Treasury securities | 40 | 40 | 40 | 25 | 25 | 25 |
| U.S. Government agencies and corporations: | | | | | | |
| Agency securities | 1,395 | 1,394 | 1,375 | 1,830 | 1,830 | 1,818 |
| Agency guaranteed mortgage-backed securities | 10,093 | 10,236 | 10,014 | 9,605 | 9,798 | 9,666 |
| Small Business Administration loan-backed securities | 1,871 | 2,042 | 1,996 | 2,007 | 2,227 | 2,222 |
| Municipal securities | 1,178 | 1,303 | 1,291 | 1,193 | 1,336 | 1,334 |
| Other | 25 | 25 | 21 | 25 | 25 | 24 |
| Total available-for-sale debt securities | 14,602 | 15,040 | 14,737 | 14,685 | 15,241 | 15,089 |
| Money market mutual funds and other | — | — | — | 72 | 72 | 72 |
| Total available-for-sale | 14,602 | 15,040 | 14,737 | 14,757 | 15,313 | 15,161 |
| Total investment securities | $ 15,376 | $ 15,814 | $ 15,504 | $ 15,528 | $ 16,083 | $ 15,923 |

The amortized cost of investment securities at December 31, 2018 decreased by 2% from the balance at December 31, 2017.

The investment securities portfolio includes $438 million of net premium that is distributed across various asset classes as illustrated in the preceding schedule. Premium amortization for 2018 was approximately $129 million, compared with approximately $125 million in 2017, reducing the yield on securities in those years by 92 bps in both 2018 and 2017. For more information on the accounting for premiums and discounts for investment securities see Note 5 to the Consolidated Financial Statements.

As of December 31, 2018, under the GAAP fair value accounting hierarchy, 0.3% of the $14.7 billion fair value of the AFS securities portfolio was valued at Level 1, 99.7% was valued at Level 2, and there was no Level 3 AFS securities. At December 31, 2017, 1% of the $15.2 billion fair value of AFS securities portfolio was valued at Level 1, 99% was valued at Level 2, and there were no Level 3 AFS securities. See Note 3 of the Notes to Consolidated Financial Statements for further discussion of fair value accounting.

Schedule 12 presents the maturities of the different types of investments that we owned and the corresponding average yields as of December 31, 2018 based on amortized cost. Expected maturities, rather than contractual maturities, are shown for SBA securities, agency guaranteed mortgage-backed securities, and certain agency and municipal securities. See “Liquidity Risk Management” on page 65 and Notes 1, 5 and 7 of the Notes to Consolidated Financial Statements for additional information about our investment securities and their management.

*Schedule 12*

**MATURITIES AND AVERAGE YIELDS ON SECURITIES**
**At December 31, 2018**

| | Total securities | | Within one year | | After one but within five years | | After five but within ten years | | After ten years | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollar amounts in millions)* | Amount | Yield[1] | Amount | Yield[1] | Amount | Yield[1] | Amount | Yield[1] | Amount | Yield[1] |
| **Held-to-maturity** | | | | | | | | | | |
| Municipal securities | $ 774 | 3.7% | $ 242 | 3.2% | $ 344 | 3.6% | $ 135 | 4.3% | $ 53 | 4.5% |
| **Available-for-sale** | | | | | | | | | | |
| U.S. Treasury securities | 40 | 2.5 | 40 | 2.5 | — | — | — | — | — | — |
| U.S. Government agencies and corporations: | | | | | | | | | | |
| Agency securities | 1,394 | 2.6 | 123 | 2.6 | 493 | 2.6 | 567 | 2.6 | 211 | 2.6 |
| Agency guaranteed mortgage-backed securities | 10,236 | 2.3 | 1,348 | 2.3 | 3,836 | 2.3 | 2,916 | 2.2 | 2,136 | 2.4 |
| Small Business Administration loan-backed securities | 2,042 | 3.5 | 331 | 3.5 | 871 | 3.5 | 551 | 3.4 | 289 | 3.6 |
| Municipal securities | 1,303 | 2.6 | 113 | 2.4 | 606 | 2.3 | 574 | 2.9 | 10 | 2.8 |
| Other | 25 | 6.9 | — | — | — | — | — | — | 25 | 6.9 |
| Total available-for-sale | 15,040 | 2.5 | 1,955 | 2.5 | 5,806 | 2.5 | 4,608 | 2.5 | 2,671 | 2.5 |
| Total investment securities | $ 15,814 | 2.6 | $ 2,197 | 2.6 | $ 6,150 | 2.6 | $ 4,743 | 2.6 | $ 2,724 | 2.6 |

[1] *Taxable-equivalent rates used where applicable.*

## Exposure to State and Local Governments

We provide multiple products and services to state and local governments (referred to collectively as "municipalities"), including deposit services, loans, and investment banking services, and we invest in securities issued by the municipalities.

Schedule 13 summarizes our exposure to state and local municipalities:

*Schedule 13*

**MUNICIPALITIES**

| | December 31, | |
|---|---|---|
| *(In millions)* | 2018 | 2017 |
| Loans and leases | $ 1,661 | $ 1,271 |
| Held-to-maturity – municipal securities | 774 | 770 |
| Available-for-sale – municipal securities | 1,291 | 1,334 |
| Trading account – municipal securities | 89 | 146 |
| Unfunded lending commitments | 144 | 152 |
| Total direct exposure to municipalities | $ 3,959 | $ 3,673 |

At December 31, 2018, one municipal loan with a balance of $1 million was on nonaccrual. A significant amount of the municipal loan and lease portfolio is secured by real estate and equipment, and 75% of the outstanding credits were originated by CB&T, Zions Bank, and Vectra. See Note 6 of the Notes to Consolidated Financial Statements for additional information about the credit quality of these municipal loans.

## Foreign Exposure and Operations

Our credit exposure to foreign sovereign risks and total foreign credit exposure is not significant. We also do not have significant foreign exposure to derivative counterparties. We had no foreign deposits at December 31, 2018 and December 31, 2017.

## Loans Held for Sale

Loans held for sale were $93 million at December 31, 2018, compared with $44 million at December 31, 2017, and are generally consumer mortgage and small business loans to be sold in the secondary market. As of December 31, 2018, the majority of the loans held for sale consisted primarily of a small amount of commercial loans.

## Loan Portfolio

As of December 31, 2018 and December 31, 2017, net loans and leases accounted for 68% of total assets. Schedule 14 presents our loans outstanding by type of loan as of the five most recent year-ends. The schedule also includes a maturity profile for the loans that were outstanding as of December 31, 2018. However, while this schedule reflects the contractual maturity and repricing characteristics of these loans, in a small number of cases, we have hedged the repricing characteristics of our variable-rate loans as more fully described in “Interest Rate Risk” on page 62.

*Schedule 14*

**LOAN PORTFOLIO BY TYPE AND MATURITY**

| | December 31, 2018 | | | | December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | One year or less | One year through five years | Over five years | Total | 2017 | 2016 | 2015 | 2014 |
| Commercial: | | | | | | | | |
| Commercial and industrial | $ 3,530 | $ 8,725 | $ 2,258 | $ 14,513 | $ 14,003 | $ 13,452 | $ 13,211 | $ 13,163 |
| Leasing | 29 | 206 | 92 | 327 | 364 | 423 | 442 | 409 |
| Owner-occupied | 322 | 1,234 | 6,105 | 7,661 | 7,288 | 6,962 | 7,150 | 7,351 |
| Municipal | 51 | 267 | 1,343 | 1,661 | 1,271 | 778 | 676 | 521 |
| Total commercial | 3,932 | 10,432 | 9,798 | 24,162 | 22,926 | 21,615 | 21,479 | 21,444 |
| Commercial real estate: | | | | | | | | |
| Construction and land development | 891 | 1,224 | 71 | 2,186 | 2,021 | 2,019 | 1,842 | 1,986 |
| Term | 1,140 | 4,306 | 3,493 | 8,939 | 9,103 | 9,322 | 8,514 | 8,127 |
| Total commercial real estate | 2,031 | 5,530 | 3,564 | 11,125 | 11,124 | 11,341 | 10,356 | 10,113 |
| Consumer: | | | | | | | | |
| Home equity credit line | 38 | 96 | 2,803 | 2,937 | 2,777 | 2,645 | 2,417 | 2,321 |
| 1-4 family residential | 7 | 89 | 7,080 | 7,176 | 6,662 | 5,891 | 5,382 | 5,201 |
| Construction and other consumer real estate | 58 | 3 | 582 | 643 | 597 | 486 | 385 | 371 |
| Bankcard and other revolving plans | 271 | 75 | 145 | 491 | 509 | 481 | 444 | 401 |
| Other | 19 | 121 | 40 | 180 | 185 | 190 | 187 | 213 |
| Total consumer | 393 | 384 | 10,650 | 11,427 | 10,730 | 9,693 | 8,815 | 8,507 |
| Total net loans | $ 6,356 | $ 16,346 | $ 24,012 | $ 46,714 | $ 44,780 | $ 42,649 | $ 40,650 | $ 40,064 |
| Loans maturing: | | | | | | | | |
| With fixed interest rates | $ 898 | $ 3,844 | $ 5,856 | $ 10,598 | | | | |
| With variable interest rates | 5,458 | 12,502 | 18,156 | 36,116 | | | | |
| Total | $ 6,356 | $ 16,346 | $ 24,012 | $ 46,714 | | | | |

As of December 31, 2018, net loans and leases were $47 billion, reflecting a 4% increase from the prior year. The increase is primarily attributable to new loan originations.

Loan portfolio growth during 2018 was widespread across loan products and geographies with particular strength in consumer 1-4 family residential, commercial and industrial, municipal, and commercial owner-occupied loans. The growth in the loan portfolio was primarily at CB&T and Zions Bank.

Of the significant increases within the portfolio, consumer 1-4 family residential loans increased $514 million, commercial and industrial loans increased $510 million, municipal loans increased $390 million, and commercial owner-occupied loans increased $373 million. The impact of these increases was partially offset by a decrease of $164 million in our CRE term portfolio.

We expect moderate total loan and lease growth during 2019, primarily in consumer 1-4 family residential, municipal, commercial and industrial, and commercial owner-occupied (non-NRE). We expect stable to moderate growth in oil and gas and CRE loans, partially offset by a moderate decline in the National Real Estate ("NRE") loan portfolio.

Loans serviced for the benefit of others increased to $3.9 billion during 2018 from $3.7 billion in 2017.

## Other Noninterest-Bearing Investments

During 2018, the Bank increased its short-term borrowings with the FHLB by $900 million. This increase required a further investment in FHLB activity stock, which consequently increased by $36 million during the year. Aside from this increase, other noninterest-bearing investments remained relatively stable as set forth in the following schedule. Schedule 15 summarizes our other noninterest-bearing investments.

*Schedule 15*

**OTHER NONINTEREST-BEARING INVESTMENTS**

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Bank-owned life insurance | $ 516 | $ 507 |
| Federal Home Loan Bank stock | 190 | 154 |
| Federal Reserve stock | 139 | 184 |
| Farmer Mac stock | 54 | 43 |
| SBIC investments | 132 | 127 |
| Non-SBIC investment funds | 12 | 12 |
| Other | 3 | 2 |
| Total other noninterest-bearing investments | $ 1,046 | $ 1,029 |

## Premises, Equipment and Software, Net

Net premises, equipment, and software increased $30 million, or 3%, from the prior year. The Bank continues to capitalize certain costs related to its technology initiatives, which has resulted in associated depreciation of approximately $2 million per quarter following the successful implementation, in 2017, of the first phase of our Core Transformation Project that replaced the Bank's primary consumer lending systems. The second phase of the Core Transformation Project, which replaces the Bank's primary commercial lending systems, was deployed in the February of 2019 and we are in the process of finalizing the full implementation. The replacement of the deposit system is expected to be the third phase of the Core Transformation Project, and is still in the preliminary stages of development. The total core replacement project spend amount is comprised of both capitalized amounts and amounts that are expensed as incurred. The useful life for most of the capitalized costs is 10 years. The following schedule shows the total amount of costs capitalized by phase for the Core Transformation Project.

| *(In millions)* | December 31, 2018 Phase 1 | Phase 2 | Phase 3 | Total |
|---|---|---|---|---|
| **Core Transformation Project Costs** | | | | |
| Total amount capitalized | $ 80 | $ 81 | $ 35 | $ 196 |

### Deposits

Deposits, both interest-bearing and noninterest-bearing, are a primary source of funding for the Bank. Average total deposits increased by 2% during 2018, compared with 2017, with average interest-bearing deposits increasing by 3% and average noninterest-bearing deposits increasing by 0.2%. The average interest rate paid for interest-bearing deposits was 25 bps higher in 2018 compared with 2017.

Demand, savings, and money market deposits were 92% and 94% of total deposits at December 31, 2018, and December 31, 2017, respectively. At December 31, 2018 and December 31, 2017, total deposits included $2.2 billion and $1.6 billion, respectively, of brokered deposits.

See Notes 11 and 12 of the Notes to Consolidated Financial Statements and “Liquidity Risk Management” on page 65 for additional information on funding and borrowed funds.

## RISK ELEMENTS

Since risk is inherent in substantially all of the Bank’s operations, management of risk is an integral part of its operations and is also a key determinant of its overall performance. The Board of Directors has appointed a Risk Oversight Committee (“ROC”) that consists of appointed Board members who oversee the Bank’s risk management processes. The ROC meets on a regular basis to monitor and review Enterprise Risk Management (“ERM”) policies and activities. As required by its charter, the ROC performs oversight for various ERM activities and approves ERM policies and activities as detailed in the ROC charter.

Management applies various strategies to reduce the risks to which the Bank’s operations are exposed, including credit, interest rate and market, liquidity, and operational risks. These risks are overseen by the various management committees of which the Enterprise Risk Management Committee is the focal point for the monitoring and review of enterprise risk.

### Credit Risk Management

Credit risk is the possibility of loss from the failure of a borrower, guarantor, or another obligor to fully perform under the terms of a credit-related contract. Credit risk arises primarily from our lending activities, as well as from off-balance sheet credit instruments.

The Board of Directors, through the ROC, is responsible for approving the overall credit policies relating to the management of the credit risk of the Bank. In addition, the ROC oversees and monitors adherence to key credit policies and the credit risk appetite as defined in the Risk Appetite Framework. Additionally, the Board has established the Credit Risk Committee, chaired by the Chief Credit Officer and consisting of members of management, to which it has delegated the responsibility for managing credit risk for the Bank and approving changes to the Bank’s credit policies.

Centralized oversight of credit risk is provided through credit policies, credit risk management, and credit examination functions. Our credit policies place emphasis on strong underwriting standards and early detection of potential problem credits in order to develop and implement action plans on a timely basis to mitigate any potential losses. These formal credit policies and procedures provide the Bank with a framework for consistent underwriting and a basis for sound credit decisions at the local banking affiliate level. Credit examinations related to the ACL are reported to both the Audit Committee and the ROC.

Our credit risk management function is separate from the lending function and strengthens control over, and the independent evaluation of, credit activities. In addition, we have a well-defined set of standards for evaluating our loan portfolio, and we utilize a comprehensive loan risk-grading system to determine the risk potential in the portfolio. Furthermore, the internal credit examination department, which is independent of the lending function, periodically conducts examinations of the Bank’s lending departments and credit activities. These examinations are designed to review credit quality, adequacy of documentation, appropriate loan risk-grading administration, and compliance with credit policies. New, expanded, or modified products and services, as well as new lines of business, are approved by the New Initiative Review Committee.

Our credit risk management strategy includes diversification of our loan portfolio. We attempt to avoid the risk of an undue concentration of credits in a particular collateral type or with an individual customer or counterparty. Generally, our loan portfolio is well diversified; however, due to the nature of our geographical footprint, there are certain significant concentrations primarily in CRE and oil and gas-related lending. We have adopted and adhere to concentration limits on leveraged lending, municipal lending, oil and gas-related lending, and various types of CRE lending, particularly construction and land development lending. All of these limits are continually monitored and revised as necessary. The recent growth in construction and land development loan commitments is within the established concentration limits. Our business activity is primarily with customers located within the geographical footprint of our banking affiliates.

As we continue to monitor our concentration risk, the composition of our loan portfolio has slightly changed. Total commercial loans were 52% of the total portfolio, compared with 51% at December 31, 2017. CRE loans declined to 24% of the total portfolio, compared with 25% at December 31, 2017. Consumer loans remained at 24% of the total loan portfolio at December 31, 2018 and 2017.

*Schedule 16*

**LOAN PORTFOLIO DIVERSIFICATION**

| *(Dollar amounts in millions)* | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Amount | % of total loans | Amount | % of total loans |
| Commercial: | | | | |
| Commercial and industrial | $ 14,513 | 31.0% | $ 14,003 | 31.3% |
| Leasing | 327 | 0.7 | 364 | 0.8 |
| Owner-occupied | 7,661 | 16.4 | 7,288 | 16.3 |
| Municipal | 1,661 | 3.6 | 1,271 | 2.8 |
| Total commercial | 24,162 | 51.7 | 22,926 | 51.2 |
| Commercial real estate: | | | | |
| Construction and land development | 2,186 | 4.7 | 2,021 | 4.5 |
| Term | 8,939 | 19.1 | 9,103 | 20.3 |
| Total commercial real estate | 11,125 | 23.8 | 11,124 | 24.8 |
| Consumer: | | | | |
| Home equity credit line | 2,937 | 6.3 | 2,777 | 6.2 |
| 1-4 family residential | 7,176 | 15.4 | 6,662 | 15.0 |
| Construction and other consumer real estate | 643 | 1.4 | 597 | 1.3 |
| Bankcard and other revolving plans | 491 | 1.0 | 509 | 1.1 |
| Other | 180 | 0.4 | 185 | 0.4 |
| Total consumer | 11,427 | 24.5 | 10,730 | 24.0 |
| Total net loans | $ 46,714 | 100.0% | $ 44,780 | 100.0% |

***Government Agency Guaranteed Loans***

We participate in various guaranteed lending programs sponsored by U.S. government agencies, such as the SBA, Federal Housing Authority, Veterans' Administration, Export-Import Bank of the U.S., and the U.S. Department of Agriculture. As of December 31, 2018, the principal balance of these loans was $560 million, and the guaranteed portion of these loans was $425 million. Most of these loans were guaranteed by the SBA.

The following schedule presents the composition of government agency guaranteed loans.

*Schedule 17*

**GOVERNMENT GUARANTEES**

| *(Dollar amounts in millions)* | December 31, 2018 | Percent guaranteed | December 31, 2017 | Percent guaranteed |
|---|---|---|---|---|
| Commercial | $ 537 | 75% | $ 507 | 75% |
| Commercial real estate | 14 | 79 | 14 | 75 |
| Consumer | 9 | 76 | 16 | 92 |
| Total loans | $ 560 | 76 | $ 537 | 76 |

## *Commercial Lending*

The following schedule provides selected information regarding lending concentrations to certain industries in our commercial lending portfolio.

*Schedule 18*

**COMMERCIAL LENDING BY INDUSTRY GROUP**

| *(Dollar amounts in millions)* | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Real estate, rental and leasing | $ 2,636 | 10.9% | $ 2,807 | 12.3% |
| Retail trade [1] | 2,434 | 10.0 | 2,257 | 9.8 |
| Manufacturing | 2,145 | 8.9 | 2,116 | 9.2 |
| Finance and insurance | 2,036 | 8.4 | 2,026 | 8.8 |
| Healthcare and social assistance | 1,695 | 7.0 | 1,556 | 6.8 |
| Wholesale trade | 1,527 | 6.3 | 1,543 | 6.7 |
| Transportation and warehousing | 1,328 | 5.5 | 1,343 | 5.9 |
| Mining, quarrying, and oil and gas extraction | 1,206 | 5.0 | 1,010 | 4.4 |
| Construction | 1,194 | 4.9 | 1,094 | 4.8 |
| Utilities [2] | 1,163 | 4.8 | 905 | 4.0 |
| Hospitality and food services | 1,005 | 4.2 | 932 | 4.1 |
| Other Services (except Public Administration) | 887 | 3.7 | 896 | 3.9 |
| Professional, scientific, and technical services | 859 | 3.6 | 879 | 3.8 |
| Other [3] | 4,047 | 16.8 | 3,562 | 15.5 |
| Total | $ 24,162 | 100.0% | $ 22,926 | 100.0% |

[1] *At December 31, 2018 and 2017, 83% and 84% of retail trade consists of motor vehicle and parts dealers, gas stations, grocery stores, building material suppliers, and direct-to-consumer retailers, respectively.*

[2] *Includes primarily utilities, power, and renewable energy.*

[3] *No other industry group exceeds 3.5%.*

## *Commercial Real Estate Loans*

Selected information indicative of credit quality regarding our CRE loan portfolio is presented in the following schedule.

*Schedule 19*

**COMMERCIAL REAL ESTATE PORTFOLIO BY LOAN TYPE AND COLLATERAL LOCATION**

| *(Dollar amounts in millions)* | | Collateral Location | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Loan type | As of date | Arizona | California | Colorado | Nevada | Texas | Utah/ Idaho | Wash- ington/Oregon | Other [1] | Total | % of total CRE |
| **Commercial term** | | | | | | | | | | | |
| Balance outstanding | 12/31/2018 | $ 1,167 | $ 2,835 | $ 633 | $ 594 | $ 1,435 | $ 1,345 | $ 375 | $ 555 | $ 8,939 | 80.3% |
| % of loan type | | 13.1% | 31.7% | 7.1% | 6.6% | 16.1% | 15.0% | 4.2% | 6.2% | 100.0% | |
| Delinquency rates: [2] | | | | | | | | | | | |
| 30-89 | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| days | 12/31/2018 | —% | —% | —% | 0.2% | —% | 0.1% | —% | —% | —% | |
| | 12/31/2017 | 0.2% | 0.1% | 0.1% | 0.2% | —% | 0.2% | —% | 0.8% | 0.1% | |
| ≥ 90 days | 12/31/2018 | —% | 0.1% | 0.2% | —% | 0.4% | 0.1% | —% | —% | 0.1% | |
| | 12/31/2017 | 0.2% | 0.1% | 0.1% | —% | —% | 0.1% | —% | 0.7% | 0.1% | |
| Accruing loans past due 90 days or more | 12/31/2018 | $ — | $ — | $ 1 | $ — | $ — | $ — | $ — | $ — | $ 1 | |
| | 12/31/2017 | 1 | 1 | — | — | — | — | — | — | 2 | |
| Nonaccrual loans | 12/31/2018 | 2 | 8 | — | 1 | 8 | 6 | — | 13 | 38 | |
| | 12/31/2017 | 4 | 7 | 1 | 2 | 17 | 1 | — | 4 | 36 | |
| **Residential construction and land development** | | | | | | | | | | | |
| Balance outstanding | 12/31/2018 | $ 42 | $ 300 | $ 71 | $ 3 | $ 195 | $ 57 | $ 3 | $ 7 | $ 678 | 6.1% |
| % of loan type | | 6.2% | 44.3% | 10.5% | 0.4% | 28.8% | 8.4% | 0.4% | 1.0% | 100.0% | |
| Delinquency rates: [2] | | | | | | | | | | | |
| 30-89 days | 12/31/2018 | —% | —% | —% | —% | —% | —% | —% | —% | —% | |
| | 12/31/2017 | —% | —% | 0.2% | —% | 0.7% | —% | —% | —% | 0.2% | |
| ≥ 90 days | 12/31/2018 | —% | —% | —% | —% | —% | —% | —% | —% | —% | |
| | 12/31/2017 | —% | —% | —% | —% | 0.1% | —% | —% | —% | —% | |
| Accruing loans past due 90 days or more | 12/31/2018 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | |
| | 12/31/2017 | — | — | — | — | — | — | — | — | — | |
| Nonaccrual loans | 12/31/2018 | — | — | — | — | — | — | — | — | — | |
| | 12/31/2017 | — | — | — | — | — | — | — | — | — | |
| **Commercial construction and land development** | | | | | | | | | | | |
| Balance outstanding | 12/31/2018 | $ 182 | $ 239 | $ 51 | $ 72 | $ 369 | $ 375 | $ 159 | $ 61 | $ 1,508 | 13.6% |
| % of loan type | | 12.1% | 15.8% | 3.4% | 4.8% | 24.5% | 24.9% | 10.5% | 4.0% | 100.0% | |
| Delinquency rates: [2] | | | | | | | | | | | |
| 30-89 days | 12/31/2018 | —% | 0.4% | —% | —% | —% | —% | —% | —% | 0.1% | |
| | 12/31/2017 | 0.1% | 0.2% | —% | —% | 0.2% | 0.1% | —% | —% | 0.1% | |
| ≥ 90 days | 12/31/2018 | —% | —% | —% | —% | —% | —% | —% | —% | —% | |
| | 12/31/2017 | —% | —% | —% | —% | —% | 1.3% | —% | —% | 0.3% | |
| Accruing loans past due 90 days or more | 12/31/2018 | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | |
| | 12/31/2017 | — | — | — | — | — | — | — | — | — | |
| Nonaccrual loans | 12/31/2018 | — | — | — | — | — | — | — | — | — | |
| | 12/31/2017 | — | — | — | — | — | 4 | — | — | 4 | |
| Total construction and land development | 12/31/2018 | $ 224 | $ 539 | $ 122 | $ 75 | $ 564 | $ 432 | $ 162 | $ 68 | $ 2,186 | |
| Total commercial real estate | 12/31/2018 | $ 1,391 | $ 3,374 | $ 755 | $ 669 | $ 1,999 | $ 1,777 | $ 537 | $ 623 | $ 11,125 | 100.0% |

[1] *No other geography exceeds $89 million for all three loan types.*

[2] *Delinquency rates include nonaccrual loans.*

Approximately 13% of the CRE term loans consist of mini-perm loans as of December 31, 2018. For such loans, construction has been completed and the project has stabilized to a level that supports the granting of a mini-perm loan in accordance with our underwriting standards. Mini-perm loans generally have initial maturities of three to five years. The remaining 87% of CRE loans are term loans with initial maturities generally of 5 to 20 years. The stabilization criteria for a project to qualify for a term loan differ by product type and include criteria related to the cash flow generated by the project, loan-to-value ratio, and occupancy rates.

Approximately $134 million, or 9%, of the commercial construction and land development portfolio at December 31, 2018 consists of acquisition and development loans. Most of these acquisition and development loans are secured by specific retail, apartment, office, or other projects.

Underwriting on commercial properties is primarily based on the economic viability of the project with heavy consideration given to the creditworthiness and experience of the sponsor. We generally require that the owner's equity be injected prior to bank advances. Remargining requirements (required equity infusions upon a decline in value or cash flow of the collateral) are often included in the loan agreement along with guarantees of the sponsor. Recognizing that debt is paid via cash flow, the projected cash flows of the project are critical in the underwriting because these determine the ultimate value of the property and its ability to service debt. Therefore, in most projects (with the exception of multifamily and hospitality construction projects), we require substantial pre-leasing/leasing in our underwriting and we generally require a minimum projected stabilized debt service coverage ratio of 1.20 or higher, depending on the project asset class.

Within the residential construction and development sector, many of the requirements previously mentioned, such as creditworthiness and experience of the developer, up-front injection of the developer's equity, principal curtailment requirements, and the viability of the project are also important in underwriting a residential development loan. Significant consideration is given to the forecasted market acceptance of the product, location, strength of the developer, and the ability of the developer to stay within budget. Progress inspections by qualified independent inspectors are routinely performed before disbursements are made.

Real estate appraisals are ordered in accordance with regulatory guidelines and are validated independently of the loan officer and the borrower, generally by our internal appraisal review function, which is staffed by licensed appraisers. In some cases, reports from automated valuation services are used or internal evaluations are performed. A new appraisal or evaluation is required when a loan deteriorates to a certain level of credit weakness.

Advance rates (i.e., loan commitments) will vary based on the viability of the project and the creditworthiness of the sponsor, but our guidelines generally limit advances to 50% for raw land, 65% for land development, 65% for finished commercial lots, 75% for finished residential lots, 80% for pre-sold homes, 75% for models and homes not under contract, and 75% for commercial properties. Exceptions may be granted on a case-by-case basis.

Loan agreements require regular financial information on the project and the sponsor in addition to lease schedules, rent rolls and, on construction projects, independent progress inspection reports. The receipt of this financial information is monitored, and calculations are made to determine adherence to the covenants set forth in the loan agreement.

The existence of a guarantee that improves the likelihood of repayment is taken into consideration when analyzing CRE loans for impairment. If the support of the guarantor is quantifiable and documented, it is included in the potential cash flows and liquidity available for debt repayment, and our impairment methodology takes this repayment source into consideration.

When we modify or extend a loan, we also give consideration to whether the borrower is in financial difficulty, and whether we have granted a concession. In determining if an interest rate concession has been granted, we consider whether the interest rate on the modified loan is equivalent to current market rates for new debt with similar risk characteristics. If the rate in the modification is less than current market rates, it may indicate that a concession was granted and impairment exists. However, if additional collateral is obtained, or if a guarantor exists who has the

capacity and willingness to support the loan on an extended basis, we also consider the nature and amount of the additional collateral and guarantees in the ultimate determination of whether a concession has been granted.

In general, we obtain and consider updated financial information for the guarantor as part of our determination to extend a loan. The quality and frequency of financial reporting collected and analyzed varies depending on the contractual requirements for reporting, the size of the transaction, and the strength of the guarantor.

Complete underwriting of the guarantor includes, but is not limited to, an analysis of the guarantor's current financial statements, leverage, liquidity, global cash flow, global debt service coverage, contingent liabilities, etc. The assessment also includes a qualitative analysis of the guarantor's willingness to perform in the event of a problem and demonstrated history of performing in similar situations. Additional analysis may include personal financial statements, tax returns, liquidity (brokerage) confirmations, and other reports, as appropriate.

A qualitative assessment is performed on a case-by-case basis to evaluate the guarantor's experience, performance track record, reputation, and willingness to work with us. We also utilize market information sources, rating, and scoring services in our assessment. This qualitative analysis coupled with a documented quantitative ability to support the loan may result in a higher-quality internal loan grade, which may reduce the level of allowance we estimate. Previous documentation of the guarantor's financial ability to support the loan is discounted if there is any indication of a lack of willingness by the guarantor to support the loan.

In the event of default, we evaluate the pursuit of any and all appropriate potential sources of repayment, which may come from multiple sources, including the guarantee. A number of factors are considered when deciding whether or not to pursue a guarantor, including, but not limited to, the value and liquidity of other sources of repayment (collateral), the financial strength and liquidity of the guarantor, possible statutory limitations (e.g., single action rule on real estate) and the overall cost of pursuing a guarantee compared with the ultimate amount we may be able to recover. In other instances, the guarantor may voluntarily support a loan without any formal pursuit of remedies.

A decrease in oil and gas prices could potentially produce an adverse impact on our CRE loan portfolio within Texas. However, based upon generally strong equity and cash flow coverage levels, and sponsor support for the various properties, we do not expect a material amount of losses within this portfolio in 2019. Our largest CRE credit exposures in Texas are to the multi-family, office, and retail sectors. At December 31, 2018, the CRE loan portfolio mix in Texas was 71% commercial term, 17% commercial construction, 10% residential construction, and 2% land development.

### *Consumer Loans*

We have mainly been an originator of first and second mortgages, generally considered to be of prime quality. We generally hold variable-rate loans in our portfolio and sell "conforming" fixed-rate loans to third parties, including Federal National Mortgage Association and Federal Home Loan Mortgage Corporation, for which we make representations and warranties that the loans meet certain underwriting and collateral documentation standards.

We are engaged in Home Equity Credit Line ("HECL") lending. At December 31, 2018 and December 31, 2017, our HECL portfolio totaled $2.9 billion and $2.8 billion, respectively. The following schedule describes the composition of our HECL portfolio by lien status.

*Schedule 20*

**HECL PORTFOLIO BY LIEN STATUS**

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Secured by first deeds of trust | $ 1,458 | $ 1,406 |
| Secured by second (or junior) liens | 1,479 | 1,371 |
| Total | $ 2,937 | $ 2,777 |

At December 31, 2018, loans representing less than 1% of the outstanding balance in the HECL portfolio were estimated to have combined loan-to-value ratios ("CLTV") above 100%. An estimated CLTV ratio is the ratio of our loan plus any prior lien amounts divided by the estimated current collateral-value. At origination, underwriting standards for the HECL portfolio generally include a maximum 80% CLTV with high credit scores at origination.

Approximately 89% of our HECL portfolio is still in the draw period, and approximately 18% of those loans are scheduled to begin amortizing within the next five years. We regularly analyze the risk of borrower default in the event of a loan becoming fully amortizing and the risk of higher interest rates. The analysis indicates that the risk of loss from this factor is minimal in the current economic environment. The ratio of net charge-offs to average balances at year-end 2018 and 2017 for the HECL portfolio was (0.02)%. See Note 6 of the Notes to Consolidated Financial Statements for additional information on the credit quality of this portfolio.

***Nonperforming Assets***

Nonperforming assets as a percentage of loans and leases and other real estate owned ("OREO") decreased to 0.55% at December 31, 2018, compared with 0.93% at December 31, 2017.

Total nonaccrual loans at December 31, 2018 decreased to $252 million from $414 million at December 31, 2017, primarily in the commercial and industrial loan portfolio. However, nonaccrual loans slightly increased in the commercial real estate term loan portfolio. The largest total decrease in nonaccrual loans occurred at Amegy, mainly due to improvements in the oil and gas-related portfolio.

The balance of nonaccrual loans can decrease due to paydowns, charge-offs, and the return of loans to accrual status under certain conditions. If a nonaccrual loan is refinanced or restructured, the new note is immediately placed on nonaccrual. If a restructured loan performs under the new terms for at least a period of six months, the loan can be considered for return to accrual status. See "Restructured Loans" following for more information. Bank policy does not allow for the conversion of nonaccrual construction and land development loans to CRE term loans. See Note 6 of the Notes to Consolidated Financial Statements for more information on nonaccrual loans.

The following schedule presents our nonperforming assets:

*Schedule 21*

**NONPERFORMING ASSETS**

| *(Dollar amounts in millions)* | December 31, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Nonaccrual loans: | | | | | |
| Loans held for sale | $ 6 | $ 12 | $ 40 | $ — | $ — |
| Commercial: | | | | | |
| Commercial and industrial | 82 | 195 | 354 | 164 | 106 |
| Leasing | 2 | 8 | 14 | 4 | — |
| Owner-occupied | 67 | 90 | 74 | 74 | 87 |
| Municipal | 1 | 1 | 1 | 1 | 1 |
| Commercial real estate: | | | | | |
| Construction and land development | — | 4 | 7 | 7 | 24 |
| Term | 38 | 36 | 29 | 40 | 25 |
| Consumer: | | | | | |
| Real estate | 55 | 68 | 49 | 59 | 64 |
| Other | 1 | — | 1 | 1 | — |
| Nonaccrual loans | 252 | 414 | 569 | 350 | 307 |
| Other real estate owned: | | | | | |
| Commercial: | | | | | |
| Commercial properties | 2 | 3 | 2 | 5 | 11 |
| Developed land | — | — | — | — | — |
| Land | — | — | — | 1 | 2 |
| Residential: | | | | | |
| 1-4 family | 2 | 1 | 2 | 1 | 4 |
| Developed land | — | — | — | — | 2 |
| Land | — | — | — | — | — |
| Other real estate owned | 4 | 4 | 4 | 7 | 19 |
| Total nonperforming assets | $ 256 | $ 418 | $ 573 | $ 357 | $ 326 |
| Ratio of nonperforming assets to net loans and leases[1] and other real estate owned | 0.55% | 0.93% | 1.34% | 0.87% | 0.81% |
| Accruing loans past due 90 days or more: | | | | | |
| Commercial | $ 7 | $ 17 | $ 18 | $ 7 | $ 8 |
| Commercial real estate | 1 | 2 | 13 | 22 | 20 |
| Consumer | 2 | 3 | 5 | 3 | 1 |
| Total | $ 10 | $ 22 | $ 36 | $ 32 | $ 29 |
| Ratio of accruing loans past due 90 days or more to net loans and leases[1] | 0.02% | 0.05% | 0.08% | 0.08% | 0.07% |

[1] *Includes loans held for sale.*

### *Restructured Loans*

Troubled debt restructurings (“TDRs”) are loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for whom we have granted a concession that we would not otherwise consider. TDRs decreased $24 million, or 11%, during 2018, primarily due to payments and payoffs. Commercial loans may be modified to provide the borrower more time to complete the project, to achieve a higher lease-up percentage, to sell the property, or for other reasons. Consumer loan TDRs represent loan modifications in which a concession has been granted to the borrower who is unable to refinance the loan with another lender, or who is experiencing economic hardship. Such consumer loan TDRs may include first-lien residential mortgage loans and home equity loans.

If the restructured loan performs for at least six months according to the modified terms, and an analysis of the customer's financial condition indicates that we are reasonably assured of repayment of the modified principal and interest, the loan may be returned to accrual status. The borrower's payment performance prior to and following the restructuring is taken into account to determine whether a loan should be returned to accrual status.

*Schedule 22*

**ACCRUING AND NONACCRUING TROUBLED DEBT RESTRUCTURED LOANS**

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Restructured loans – accruing | $ 112 | $ 139 |
| Restructured loans – nonaccruing | 90 | 87 |
| Total | $ 202 | $ 226 |

In the periods following the calendar year in which a loan was restructured, a loan may no longer be reported as a TDR if it is on accrual, is in compliance with its modified terms, and yields a market rate (as determined and documented at the time of the modification or restructure). See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding TDRs.

*Schedule 23*

**TROUBLED DEBT RESTRUCTURED LOANS ROLLFORWARD**

| *(In millions)* | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 226 | $ 251 |
| New identified troubled debt restructuring and principal increases | 142 | 190 |
| Payments and payoffs | (131) | (157) |
| Charge-offs | (7) | (25) |
| No longer reported as troubled debt restructuring | (20) | (4) |
| Sales and other | (8) | (29) |
| Balance at end of year | $ 202 | $ 226 |

***Allowance for Credit Losses***

In analyzing the adequacy of the ALLL, we utilize a comprehensive loan grading system to determine the risk potential in the portfolio and also consider the results of independent internal credit reviews. To determine the adequacy of the allowance, our loan and lease portfolio is broken into segments based on loan type.

The following schedule shows the changes in the allowance for loan losses and a summary of loan loss experience:

*Schedule 24*

**SUMMARY OF LOAN LOSS EXPERIENCE**

| *(Dollar amounts in millions)* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Loans and leases outstanding (net of unearned income) | $ 46,714 | $ 44,780 | $ 42,649 | $ 40,650 | $ 40,064 |
| Average loans and leases outstanding, (net of unearned income) | $ 45,425 | $ 43,501 | $ 42,062 | $ 40,171 | $ 39,522 |
| Allowance for loan losses: | | | | | |
| Balance at beginning of year | $ 518 | $ 567 | $ 606 | $ 605 | $ 746 |
| Provision charged to earnings | (39) | 24 | 93 | 40 | (98) |
| Adjustment for FDIC-supported/PCI loans | — | — | — | — | (1) |
| Charge-offs: | | | | | |
| Commercial | 46 | 118 | 170 | 111 | 77 |
| Commercial real estate | 5 | 9 | 12 | 14 | 15 |
| Consumer | 18 | 17 | 16 | 14 | 14 |
| Total | 69 | 144 | 198 | 139 | 106 |
| Recoveries: | | | | | |
| Commercial | 68 | 46 | 43 | 55 | 41 |
| Commercial real estate | 9 | 14 | 14 | 35 | 12 |
| Consumer | 8 | 11 | 9 | 10 | 11 |
| Total | 85 | 71 | 66 | 100 | 64 |
| Net loan and lease charge-offs | (16) | 73 | 132 | 39 | 42 |
| Balance at end of year | $ 495 | $ 518 | $ 567 | $ 606 | $ 605 |
| Ratio of net charge-offs to average loans and leases | (0.04)% | 0.17% | 0.31% | 0.10% | 0.11% |
| Ratio of allowance for loan losses to net loans and leases, on December 31, | 1.06 % | 1.16% | 1.33% | 1.49% | 1.51% |
| Ratio of allowance for loan losses to nonaccrual loans, on December 31, | 196 % | 129% | 107% | 173% | 197% |
| Ratio of allowance for loan losses to nonaccrual loans and accruing loans past due 90 days or more, on December 31, | 193 % | 122% | 101% | 159% | 180% |

*Schedule 25*

**ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES**

**At December 31,**

| | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollar amounts in millions)* | % of total loans | Allocation of allowance | % of total loans | Allocation of allowance | % of total loans | Allocation of allowance | % of total loans | Allocation of allowance | % of total loans | Allocation of allowance |
| **Loan segment** | | | | | | | | | | |
| Commercial | 51.7% | $ 331 | 51.2% | $ 371 | 50.6% | $ 420 | 52.9% | $ 454 | 53.5% | $ 413 |
| Commercial real estate | 23.8 | 110 | 24.8 | 103 | 26.6 | 116 | 25.5 | 114 | 25.3 | 145 |
| Consumer | 24.5 | 54 | 24.0 | 44 | 22.8 | 31 | 21.6 | 38 | 21.2 | 47 |
| Total | 100.0% | $ 495 | 100.0% | $ 518 | 100.0% | $ 567 | 100.0% | $ 606 | 100.0% | $ 605 |

The total ALLL decreased by $23 million during 2018, primarily as a result of continued credit quality improvements in the total loan portfolio.

The RULC represents a reserve for potential losses associated with off-balance sheet commitments and standby letters of credit. The reserve is separately shown in the balance sheet and any related increases or decreases in the

reserve are shown separately in the statement of income. At December 31, 2018, the reserve decreased by $1 million, compared with December 31, 2017, also as a result of credit quality improvements in the total loan portfolio.

See Note 6 of the Notes to Consolidated Financial Statements for additional information related to the ACL and credit trends experienced in each portfolio segment.

## Interest Rate and Market Risk Management

Interest rate and market risk are managed centrally. Interest rate risk is the potential for reduced net interest income and other rate sensitive income resulting from adverse changes in the level of interest rates. Market risk is the potential for loss arising from adverse changes in the fair value of fixed income securities, equity securities, other earning assets, and derivative financial instruments as a result of changes in interest rates or other factors. As a financial institution that engages in transactions involving an array of financial products, we are exposed to both interest rate risk and market risk.

The Bank's Board of Directors is responsible for approving the overall policies relating to the management of the financial risk of the Bank, including interest rate and market risk management. The Board has established ALCO consisting of members of management, to which it has delegated the responsibility of managing interest rate and market risk for the Bank. ALCO establishes and periodically revises policy limits and reviews with the ROC the limits and limit exceptions reported by management.

### *Interest Rate Risk*

Interest rate risk is one of the most significant risks to which we are regularly exposed. In general, our goal in managing interest rate risk is to manage the balance sheet to reduce net income volatility due to changes in interest rates.

Over the course of the last year, we have maintained a moderate level of asset-sensitivity as the market rates seemed more likely to increase than to decrease. As risks shifted at the end of the year to be more balanced between higher or lower rates in the future, ALCO has undertaken strategies to reduce the level of asset sensitivity, such as entering into rate floor agreements and increasing the use of interest rate swaps designated as cash flow hedges to synthetically convert floating-rate assets to fixed-rate. We anticipate moving towards a less asset-sensitive interest rate risk position over the course of 2019.

#### *Interest Rate Risk Measurement*

We monitor interest rate risk through the use of two complementary measurement methods: net interest income simulation, or Earnings at Risk ("EaR"), and Economic Value of Equity at Risk ("EVE"). EaR analyzes the expected change in near term (one year) net interest income in response to changes in interest rates. In the EVE method, we measure the expected changes in the fair value of equity in response to changes in interest rates.

EaR is an estimate of the change in total net interest income that would be recognized under different rate environments over a one-year period. EaR is measured simulating net interest income under several different scenarios including parallel and nonparallel interest rate shifts across the yield curve, taking into account deposit repricing assumptions and estimates of the possible exercise of embedded options within the portfolio (e.g., a borrower's ability to refinance a loan under a lower-rate environment). Our policy contains a trigger for a 10% decline in rate-sensitive income as well as a risk capacity of a 13% decline if rates were to immediately rise or fall in parallel by 200 bps. As of December 31, 2018 the EaR declined by 12% for a 200 bps decline in rates. This trigger violation informed our decision to move to a less asset-sensitive position throughout 2019.

EVE is calculated as the fair value of all assets minus the fair value of liabilities. We measure changes in the dollar amount of EVE for parallel shifts in interest rates. Due to embedded optionality and asymmetric rate risk, changes in EVE can be useful in quantifying risks not apparent for small rate changes. Examples of such risks may include out-of-the-money interest rate caps (or limits) on loans, which have little effect under small rate movements but may become important if large rate changes were to occur, or substantial prepayment deceleration for low-rate mortgages

in a higher-rate environment. Our policy contains a trigger for an 8% decline in EVE as well as a risk capacity of a 10% decline if rates were to immediately rise or fall in parallel by 200 bps. Exceptions to the EVE limits are subject to notification and approval by the ROC.

Estimating the impact on net interest income and EVE requires that we assess a number of variables and make various assumptions in managing our exposure to changes in interest rates. The assessments address deposit withdrawals and deposit product migration (e.g., customers moving money from checking accounts to certificates of deposit), competitive pricing (e.g., existing loans and deposits are assumed to roll into new loans and deposits at similar spreads relative to benchmark interest rates), loan and security prepayments, and the effects of other similar embedded options. As a result of uncertainty about the maturity and repricing characteristics of both deposits and loans, we also calculate the sensitivity of EaR and EVE results to key assumptions. As most of our liabilities are comprised of indeterminate maturity and managed rate deposits, the modeled results are highly sensitive to the assumptions used for these deposits, such as checking, savings and money market accounts, and also to prepayment assumptions used for loans with prepayment options. We use historical regression analysis as a guide for setting such assumptions; however, due to the current low interest rate environment, which has little historical precedent, estimated deposit behavior may not reflect actual future results. Additionally, competition for funding in the marketplace has and may again result in changes to deposit pricing on interest-bearing accounts that are greater or less than changes in benchmark interest rates such as LIBOR or the federal funds rate.

Under most rising interest rate environments, we would expect some customers to move balances from demand deposits to interest-bearing accounts such as money market, savings, or certificates of deposit. The models are particularly sensitive to the assumption about the rate of such migration.

In addition, we assume certain correlation rates, often referred to as a “deposit beta,” of interest-bearing deposits, wherein the rates paid to customers change at a different pace when compared to changes in benchmark interest rates. Generally, certificates of deposit are assumed to have a high correlation rate, while interest-on-checking accounts are assumed to have a lower correlation rate. Actual results may differ materially due to factors including competitive pricing, money supply, credit worthiness of the Bank, and so forth; however, we use our historical experience as well as industry data to inform our assumptions.

The aforementioned migration and correlation assumptions result in deposit durations presented in Schedule 26.

*Schedule 26*

**DEPOSIT ASSUMPTIONS**

| | December 31, 2018 | |
|---|---|---|
| | Deposit Method | |
| Product | Effective duration (unchanged) | Effective duration (+200 bps) |
| Demand deposits | 3.1% | 3.0% |
| Money market | 1.6% | 1.5% |
| Savings and interest-on-checking | 2.8% | 2.5% |

As of the dates indicated and incorporating the assumptions previously described, the following schedule shows EaR, or percentage change in net interest income, based on a static balance sheet size, in the first year after the interest rate change if interest rates were to sustain immediate parallel changes ranging from -100 bps to +300 bps.

*Schedule 27*

**INCOME SIMULATION – CHANGE IN NET INTEREST INCOME**

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Parallel shift in rates (in bps)[1] | | | | |
| Repricing scenario | -100 | 0 | +100 | +200 | +300 |
| Earnings at Risk | (5.3)% | —% | 3.4% | 5.1% | 10.1% |

[1] *Assumes rates cannot go below zero in the negative rate shift.*

For non-maturity interest-bearing deposits, the weighted average modeled beta is 46%. If the weighted average deposit beta increased to 56% it would decrease the EaR in the +200bp shock from 5.1% to 2.8%.

The EaR analysis focuses on parallel rate shocks across the term structure of rates. The yield curve typically does not move in a parallel manner. During the past year, an increase in short-term rates has led to a flatter yield curve as longer-term rates have not increased at the same pace as short-term rates. If we consider a flattening rate shock where the short-term rate moves +200bp but the ten-year rate only moves +30bp, the increase in earnings is 43% lower over 12 months compared with the parallel +200bp rate shock.

For comparative purposes, the December 31, 2017 measures as presented in the following schedule.

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Parallel shift in rates (in bps)[1] | | | | |
| Repricing scenario | -100 | 0 | +100 | +200 | +300 |
| Earnings at Risk | (2.7)% | —% | 2.8% | 5.4% | 7.8% |

[1] *Assumes rates cannot go below zero in the negative rate shift.*

The asset-sensitivity as measured by EaR increased slightly year-over-year due to changes in the investment securities and funding compositions.

*Schedule 28*

**CHANGES IN ECONOMIC VALUE OF EQUITY**

As of the dates indicated, the following schedule shows our estimated percentage change in EVE under parallel interest rate changes ranging from -100 bps to +300 bps. For non-maturity interest-bearing deposits, the weighted average modeled beta is 46%. If the weighted average deposit beta increased to 56% it would decrease the EVE in the +200bp shock from -5.6% to -7.7%.

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Parallel shift in rates (in bps)[1] | | | | |
| Repricing scenario | -100 bps | 0 bps | +100 bps | +200 bps | +300 bps |
| Economic Value of Equity | (2.5)% | —% | (2.1)% | (5.6)% | (5.4)% |

[1] *Assumes rates cannot go below zero in the negative rate shift.*

For comparative purposes, the December 31, 2017 measures are presented in the following schedule. The changes in EVE measures from December 31, 2017 are driven by increases in interest rates which increase the expected life of certain assets and decrease the expected life of certain liabilities.

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Parallel shift in rates (in bps)[1] | | | | |
| Repricing scenario | -100 bps | 0 bps | +100 bps | +200 bps | +300 bps |
| Economic Value of Equity | 0.2% | —% | 0.5% | 0.3% | 0.2% |

[1] *Assumes rates cannot go below zero in the negative rate shift.*

Our focus on business banking also plays a significant role in determining the nature of the Bank's asset-liability management posture. At December 31, 2018, $20.4 billion of the Bank's commercial lending and CRE loan balances were scheduled to reprice in the next six months. Of these variable-rate loans approximately 98% are tied to either the prime rate or LIBOR. For these variable-rate loans we have executed $688 million of cash flow hedges by receiving fixed rates on interest rate swaps. Additionally, asset-sensitivity is reduced due to $48 million of variable-rate loans being priced at floored rates at December 31, 2018, which were above the "index plus spread" rate by an average of 74 bps. At December 31, 2018, we also had $3.3 billion of variable-rate consumer loans scheduled to reprice in the next six months. Of these variable-rate consumer loans approximately $9 million were priced at floored rates, which were above the "index plus spread" rate by an average of 81 bps.

See Notes 3 and 7 of the Notes to Consolidated Financial Statements for additional information regarding derivative instruments.

***Market Risk – Fixed Income***

We engage in the underwriting and trading of municipal securities. This trading activity exposes us to a risk of loss arising from adverse changes in the prices of these fixed income securities.

At December 31, 2018, we had a relatively small amount, $106 million, of trading assets and $85 million of securities sold, not yet purchased, compared with $148 million and $95 million, respectively, at December 31, 2017.

We are exposed to market risk through changes in fair value. We are also exposed to market risk for interest rate swaps used to hedge interest rate risk. Changes in the fair value of AFS securities and in interest rate swaps that qualify as cash flow hedges are included in AOCI for each financial reporting period. During 2018, the after-tax change in AOCI attributable to AFS securities decreased by $114 million, due largely to changes in the interest rate environment, compared with a $22 million decrease in the same prior year period.

***Market Risk – Equity Investments***

Through our equity investment activities, we own equity securities that are publicly-traded. In addition, we own equity securities in companies and governmental entities, e.g., Federal Reserve Bank and an FHLB, that are not publicly-traded. The accounting for equity investments may use the cost, fair value, equity, or full consolidation methods of accounting, depending on our ownership position and degree of involvement in influencing the investees' affairs. Regardless of the accounting method, the value of our investment is subject to fluctuation. Because the fair value of these securities may fall below our investment costs, we are exposed to the possibility of loss. Equity investments in private and public companies are approved, monitored, and evaluated by the Bank's Equity Investments Committee consisting of members of management.

We hold both direct and indirect investments in predominantly pre-public companies, primarily through various SBIC venture capital funds. Our equity exposure to these investments was approximately $132 million and $127 million at December 31, 2018 and December 31, 2017, respectively. On occasion, some of the companies within our SBIC investments may issue an initial public offering. In this case, the fund is generally subject to a lockout period before liquidating the investment, which can introduce additional market risk.

## Liquidity Risk Management

***Overview***

Liquidity refers to our capacity to meet our cash and collateral obligations and to manage both expected and unexpected cash flows without adversely impacting the operations or financial strength of the Bank. Sources of liquidity include both traditional forms of funding, such as deposits, borrowings, and equity and unencumbered assets, such as marketable loans and securities.

Since liquidity risk is closely linked to both credit risk and market risk, many of the previously discussed risk control mechanisms also apply to the monitoring and management of liquidity risk. We manage our liquidity to provide adequate funds for our customers' credit needs, capital plan actions, anticipated financial and contractual obligations, which include withdrawals by depositors, debt and capital service requirements, and lease obligations.

Overseeing liquidity management is the responsibility of ALCO, which implements a Board-approved corporate Liquidity and Funding Policy. This policy addresses monitoring and maintaining adequate liquidity, diversifying funding positions, and anticipating future funding needs. The policy also includes liquidity ratio guidelines, such as a 30-day liquidity coverage ratio, that are used to monitor the liquidity positions of the Bank as well as various stress test and liquid asset measurements for the Bank.

The management of liquidity and funding is performed by the Treasury Department under the direction of the Corporate Treasurer, with oversight by ALCO. The Treasurer is responsible for recommending changes to existing funding plans, as well as to the Bank's Liquidity Policy. These recommendations must be submitted for approval to ALCO, and changes to the Policy also must be approved by the Bank's ERMC and the Board of Directors. The Bank has adopted policy limits that govern liquidity risk. The policy requires the Bank to maintain a buffer of highly liquid assets sufficient to cover cash outflows in the event of a severe liquidity crisis. Throughout 2018 and as of December 31, 2018, the Bank complied with this policy.

***Liquidity Regulation***

Upon passage of the Economic Growth, Regulatory Relief, and Consumer Protection Act, the Bank is no longer subject to the Enhanced Prudential Standards for liquidity management (Reg. YY). However, the Bank continues to perform liquidity stress tests and assess its portfolio of highly liquid assets (sufficient to cover 30-day funding needs under the stress scenarios). Although the Bank is no longer subject to the regulations of the Final LCR Rule, it exceeds the regulatory requirements that mandates a buffer of securities and other liquid assets to cover 70% of 30-day cash outflows under the assumptions mandated therein.

***Liquidity Management Actions***

The Bank's consolidated cash, interest-bearing deposits held as investments, and security resell agreements was $2.4 billion at December 31, 2018 compared to $1.6 billion at December 31, 2017. During 2018 the primary sources of cash were from (1) a net increase in deposits, (2) net cash provided by operating activities, (3) short-term borrowings, (4) a net decrease in investment securities, and (5) the issuance of long-term debt. The primary uses of cash during the same period were primarily from (1) loan originations, (2) repurchases of our common stock, and (3) dividends on common and preferred stock.

The Bank's loan to total deposit ratio has remained consistent and was 86% at December 31, 2018 compared with 85% at December 31, 2017. The Bank's core deposits, consisting of noninterest-bearing demand deposits, savings and money market deposits, and time deposits under $250,000, was $51.2 billion at December 31, 2018 compared with $50.7 billion at December 31, 2017.

Total deposits were $54.1 billion at December 31, 2018, compared with $52.6 billion at December 31, 2017. The increase during 2018 was a result of a $1.2 billion and $0.5 billion increase in time deposits and savings and money market, respectively, partially offset by a $241 million decrease in noninterest-bearing deposits.

During 2018, the Bank issued a $500 million senior note with an interest rate of 3.5% and a maturity date of August 27, 2021. At December 31, 2018, maturities of our long-term senior and subordinated debt ranged from August 2021 to September 2028. Also, during 2018, the Bank called and redeemed $162 million of 5.65% subordinated notes maturing November 15, 2023.

The Bank's cash payments for interest, reflected in operating expenses, increased to $237 million during 2018 from $118 million during 2017 primarily due to an increase in deposits, short-term borrowings, and long-term debt and an increase in interest rates. Additionally, the Bank paid approximately $236 million of total dividends on preferred stock and common stock during 2018 compared with $129 million during 2017. Dividends paid per common share have increased gradually from $0.12 in the third quarter of 2017 to $0.30 in the fourth quarter of 2018. In February 2019, the Board approved a quarterly common dividend of $0.30 per share.

General financial market and economic conditions impact our access to, and cost of, external financing. Access to funding markets for the Bank is also directly affected by the credit ratings received from various rating agencies.

The ratings not only influence the costs associated with the borrowings, but can also influence the sources of the borrowings. All of the credit rating agencies rate the Bank's debt at an investment-grade level. The Bank's credit ratings have continued to improve during 2018 and are presented in the following schedule.

**CREDIT RATINGS**

**as of February 8, 2019:**

| Rating agency | Outlook | Long-term issuer/senior debt rating | Subordinated debt rating | Short-term debt rating |
|---|---|---|---|---|
| S&P | Stable | BBB+ | BBB | A-2 |
| Fitch | Positive | BBB | BBB- | F2 |
| Kroll | Stable | A- | BBB+ | K2 |

The FHLB system and Federal Reserve Banks have been and are a source of back-up liquidity, and from time to time, have been a significant source of funding. Zions Bancorporation, N.A. is a member of the FHLB of Des Moines. The FHLB allows member banks to borrow against their eligible loans and securities to satisfy liquidity and funding requirements. The Bank is required to invest in FHLB and Federal Reserve stock to maintain their borrowing capacity.

At December 31, 2018, the amount available for additional FHLB and Federal Reserve borrowings was approximately $13.8 billion, compared with $14.7 billion at December 31, 2017. Loans with a carrying value of approximately $22.6 billion at December 31, 2018 have been pledged at the FHLB of Des Moines and the Federal Reserve as collateral for current and potential borrowings compared with $25.6 billion at December 31, 2017. At December 31, 2018, we had $4.5 billion of short-term FHLB borrowings outstanding and no long-term FHLB or Federal Reserve borrowings outstanding, compared with $3.6 billion of short-term FHLB borrowings and no long-term FHLB or Federal Reserve borrowings outstanding at December 31, 2017. At December 31, 2018, our total investment in FHLB and Federal Reserve stock was $190 million and $139 million, respectively, compared with $154 million and $184 million at December 31, 2017.

Our investment activities can provide or use cash, depending on the asset-liability management posture taken. During 2018, held-to-maturity ("HTM") and AFS investment securities' activities resulted in a net decrease in investment securities and a net $130 million increase in cash, compared with a net $2.2 billion decrease in cash for 2017.

Maturing balances in the Bank's loan portfolios also provide additional flexibility in managing cash flows. Lending activity during 2018 resulted in a net cash outflow of $1.9 billion compared with a net cash outflow of $2.1 billion during 2017.

During 2018, we paid income taxes of $207 million, compared to $246 million during 2017.

We may also, from time to time, issue additional preferred stock, senior or subordinated notes or other forms of capital or debt instruments, depending on our capital, funding, asset-liability management or other needs as market conditions warrant and subject to any required regulatory approvals. Management believes that the sources of available liquidity are adequate to meet all reasonably foreseeable short-term and intermediate-term demands.

***Contractual Obligations***

Schedule 29 summarizes our contractual obligations at December 31, 2018.

*Schedule 29*

**CONTRACTUAL OBLIGATIONS**

| *(In millions)* | One year or less | Over one year through three years | Over three years through five years | Over five years | Indeterminable maturity [1] | Total |
|---|---|---|---|---|---|---|
| Deposits | $ 3,791 | $ 432 | $ 113 | $ — | $ 49,765 | $ 54,101 |
| Net unfunded commitments to extend credit | 6,302 | 5,727 | 3,770 | 5,655 | — | 21,454 |
| Standby letters of credit: | | | | | | |
| Financial | 411 | 79 | 15 | 150 | — | 655 |
| Performance | 166 | 30 | 3 | — | — | 199 |
| Commercial letters of credit | 15 | 3 | — | — | — | 18 |
| Commitments to make venture and other noninterest-bearing investments [2] | 30 | — | — | — | — | 30 |
| Federal funds and other short-term borrowings | 5,653 | — | — | — | — | 5,653 |
| Long-term debt | — | 502 | 135 | 87 | — | 724 |
| Operating leases, net of subleases | 31 | 82 | 64 | 86 | — | 263 |
| Unrecognized tax benefits | — | — | — | — | 8 | 8 |
| Total contractual obligations | $ 16,399 | $ 6,855 | $ 4,100 | $ 5,978 | $ 49,773 | $ 83,105 |

[1] *Indeterminable maturity deposits include noninterest-bearing demand, savings and money market. Unrecognized tax benefits also have an indeterminable maturity.*

[2] *Commitments to make venture and other noninterest-bearing investments do not have defined maturity dates. They have therefore been considered due on demand, maturing in one year or less.*

In addition to the commitments specifically noted in Schedule 29, we enter into a number of contractual commitments in the ordinary course of business. These include software licensing and maintenance, telecommunications services, facilities maintenance and equipment servicing, supplies purchasing, and other goods and services used in the operation of our business. Some of these contracts are renewable or cancelable at least annually, and in certain cases, to secure favorable pricing concessions, we have committed to contracts that may extend to several years.

We also enter into derivative contracts under which we are required either to receive or pay cash, depending on changes in interest rates. These contracts are carried at fair value on the balance sheet with the fair value representing the net present value of the expected future cash receipts and payments based on market rates of interest. The fair value of the contracts changes daily as interest rates change. See Note 7 of the Notes to Consolidated Financial Statements for further information on derivative contracts.

## Operational Risk Management

Operational risk is the risk to current or anticipated earnings or capital arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events. In our ongoing efforts to identify and manage operational risk, we have an ERM department whose responsibility is to help employees, management and the Board of Directors to assess, understand, measure, manage, and monitor risk in accordance with our Risk Appetite Framework. We have documented both controls and the Control Self-Assessment related to financial reporting under the 2013 framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and the FDICIA.

To manage and minimize our operational risk, we have in place transactional documentation requirements; systems and procedures to monitor transactions and positions; systems and procedures to detect and mitigate attempts to commit fraud, penetrate our systems or telecommunications, access customer data, and/or deny normal access to

those systems to our legitimate customers; regulatory compliance reviews; and periodic reviews by the Bank's Compliance Risk Management, Internal Audit and Credit Examination departments. Reconciliation procedures have been established to ensure that data processing systems consistently and accurately capture critical data. In addition, the Data Governance department has key governance surrounding data integrity and availability oversight. Further, we have key programs and procedures to maintain contingency and business continuity plans for operational support in the event of natural or other disasters. We also mitigate certain operational risks through the purchase of insurance, including errors and omissions and professional liability insurance.

We are continually improving our oversight of operational risk, including enhancement of risk identification, risk and control self-assessments, and antifraud measures, which are reported on a regular basis to enterprise management committees. The Operational Risk Committee reports to the ERMC, which reports to the ROC. Key measures have been established to increase oversight by ERM and Operational Risk Management through the strengthening of new initiative reviews, enhancements to the Enterprise Procurement and Third Party Risk Management framework, enhancements to the Business Continuity and Disaster Recovery programs and Enterprise Security programs, and the establishment of Fraud Risk Oversight, Incident Response Oversight and Technology Project Oversight programs. Significant enhancements have also been made to governance, technology, and reporting, including the establishment of Policy and Committee Governance programs, the implementation of a governance, risk and control solution, and the creation of an Enterprise Risk Profile and an Operational Risk Profile along with business line risk profiles. In addition, the establishment of an Enterprise Exam Management department has standardized our response and reporting, and increased our effectiveness and efficiencies with regulatory examinations, communications and issues management.

The number and sophistication of attempts to disrupt or penetrate our critical systems, sometimes referred to as hacking, cyber fraud, cyber attacks, cyber terrorism, or other similar names, also continue to grow. Given the importance and increasing sophistication of cyber attacks, the Bank has designated cyber risk a level one risk in its risk taxonomy, which places it at the highest level of oversight with its other top risks.

## CAPITAL MANAGEMENT

### *Overview*

The Board of Directors is responsible for approving the policies associated with capital management. The Board has established the Capital Management Committee ("CMC"), chaired by the Chief Financial Officer and consisting of members of management, whose primary responsibility is to recommend and administer the approved capital policies that govern the capital management of the Bank. Other major CMC responsibilities include:

- Setting overall capital targets within the Board-approved capital policy, monitoring performance compared to the Bank's Capital Policy limits, and recommending changes to capital including dividends, common stock repurchases, subordinated debt, and changes in major strategies to maintain the Bank at well-capitalized levels;
- Maintaining an adequate capital cushion to withstand adverse stress events while continuing to meet the borrowing needs of its customers, and to provide reasonable assurance of continued access to wholesale funding, consistent with fiduciary responsibilities to depositors and bondholders; and
- Reviewing agency ratings of the Bank.

The Bank has a fundamental financial objective to consistently produce superior risk-adjusted returns on its shareholders' capital. We believe that a strong capital position is vital to continued profitability and to promoting depositor and investor confidence. Specifically, it is the policy of the Bank to:

- Maintain sufficient capital to support current needs;
- Maintain an adequate capital cushion to withstand future adverse stress events while continuing to meet borrowing needs of its customers; and
- Meet fiduciary responsibilities to depositors and bondholders while managing capital distributions to shareholders through dividends and repurchases of common stock so as to be consistent with Federal Reserve guidelines SR 09-04 and 12 U.S.C §§ 56 and 60.

***Merger of Bank Holding Company into Bank***

On September 30, 2018, the Bank completed the merger of Zions Bancorporation, its former bank holding company, with, and into the Bank, formerly known as ZB, N.A. in order to reduce organizational complexity. The restructuring eliminated the bank holding company structure and associated regulatory framework, and resulted in ZB, N.A. being renamed Zions Bancorporation, National Association and becoming the top-level entity within our corporate structure. The Bank's primary regulator is now the OCC. The Bank continues to be subject to examinations by the CFPB with respect to consumer financial regulations. Under the National Bank Act and OCC regulations, certain capital transaction may be subject to the approval of the OCC.

***Stress Testing***

As a result of the Financial Stability Oversight Council's action on September 12, 2018 and the merger of the holding company into the Bank on September 30, 2018, the Bank is no longer considered a systemically important financial institution under the Dodd-Frank Act. The Bank expects to have greater flexibility in the active management of shareholders' equity. The Bank expects to continue to utilize stress testing as the primary mechanism to inform its decisions on the appropriate level of capital, based upon actual and hypothetically-stressed economic conditions. Therefore, the timing and amount of capital actions will be subject to various factors, including the Bank's financial performance and prevailing and anticipated economic conditions.

***Capital Management Actions***

During 2018, the Bank repurchased 12.9 million shares of common stock for $670 million at an average price of $51.77 per share. In February 2019, the Bank announced that the Board approved a plan to repurchase $275 million of common stock during the first quarter of 2019. The timing and amount of additional common share repurchases will be subject to various factors, including the Bank's financial performance, business needs, prevailing economic conditions, and OCC approval. Shares may be repurchased occasionally in the open market, through privately negotiated transactions, utilizing Rule 10b5-1 plans or otherwise.

The Bank paid common dividends of $202 million, or $1.04 per share, during 2018 compared to $89 million, $0.44 per share, during 2017. In February 2019, the Board of Directors declared a quarterly dividend of 0.30 per common share payable on February 21, 2019 to shareholders of record on February 14, 2019. We paid dividends on preferred stock of $34 million during 2018 compared with $40 million during 2017. See Note 8 for additional detail about capital management transactions during 2018.

Total shareholders' equity decreased slightly and was $7.6 billion at December 31, 2018 compared with $7.7 billion at December 31, 2017. This decrease was primarily a result of (1) $670 million from repurchases of Bank common stock, (2) $236 million from common and preferred dividends paid and (3) $111 million from a decrease in the fair value of our AFS securities due largely to changes in the interest rate environment. These decreases were partially offset by net income of $884 million.

During 2018 and 2017, the market price of our common stock was higher than the exercise price of common stock warrants on our common stock and had a dilutive effect upon earnings per share. Weighted average diluted shares decreased by 3.2 million compared with 2017, primarily due to share repurchases, partially offset by the dilutive impact of an increased common share price on warrants that have been outstanding since 2008 (Troubled Asset Relief Program or "TARP" warrants - NASDAQ: ZIONZ) and 2010 (NASDAQ: ZIONW) and employee equity grants. During 2018, 1.8 million shares of common stock were issued from the cashless exercise of 5.8 million ZIONZ common stock warrants which expired on November 14, 2018. As of December 31, 2018, the Bank had 29.3 million ZIONW warrants outstanding with an exercise price of $34.82 which expire on May 22, 2020.

The following schedule presents the diluted shares from the remaining common stock warrants at various Zions Bancorporation, N.A. common stock market prices as of February 8, 2019, excluding the effect of changes in exercise cost and warrant share multiplier from the future payment of common stock dividends.

**IMPACT OF COMMON STOCK WARRANTS**

| Assumed Zions Bancorporation, N.A. Common Stock Market Price | Diluted Shares (000s) |
|---|---|
| $ 35.00 | 0 |
| 40.00 | 5,310 |
| 45.00 | 8,143 |
| 50.00 | 10,409 |
| 55.00 | 12,263 |
| 60.00 | 13,807 |
| 65.00 | 15,115 |

See Note 13 of the Notes to Consolidated Financial Statements for more information on our common stock warrants.

***Basel III***

In 2013, the FRB, FDIC, and OCC published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implemented the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules became effective for the Bank on January 1, 2015 and were subject to phase-in periods for certain of their components. In November 2017, the FRB, FDIC and OCC published a final rule that extended the 2017 transition provisions for certain U.S. Basel III capital rules for non-advanced approaches banks, such as the Bank. Effective January 1, 2018, the final rule retains the 2017 Basel III transitional treatment of certain DTAs and mortgage servicing assets, among others. A detailed discussion of Basel III requirements, including implications for the Bank, is contained on page 9 in "Capital Standards – Basel Framework" under Part 1, Item 1 in our 2018 Annual Report on Form 10-K.

We met all capital adequacy requirements under the Basel III Capital Rules based upon phase-in rules as of December 31, 2018, and believe that we would meet all capital adequacy requirements on a fully phased-in basis if such requirements were currently effective.

***Capital Ratios***

Banking organizations are required by capital regulations to maintain adequate levels of capital as measured by several regulatory capital ratios. Zions will continue to utilize stress testing as its primary mechanism to inform its decisions on the appropriate level of capital, based upon actual and hypothetically-stressed economic conditions. The following schedule shows the Bank's capital and performance ratios as of December 31, 2018, December 31, 2017 and December 31, 2016.

**CAPITAL RATIOS AND CAPITAL DISTRIBUTIONS**

| | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| Tangible common equity ratio[1] | 8.9% | 9.3% | 9.5% |
| Tangible equity ratio[1] | 9.7% | 10.2% | 10.6% |
| Average equity to average assets | 11.4% | 12.0% | 12.8% |
| Basel III risk-based capital ratios[2]: | | | |
| Common equity tier 1 capital | 11.7% | 12.1% | 12.1% |
| Tier 1 leverage | 10.3% | 10.5% | 11.1% |
| Tier 1 risk-based | 12.7% | 13.2% | 13.5% |
| Total risk-based | 13.9% | 14.8% | 15.2% |
| Return on average common equity | 12.1% | 7.7% | 6.0% |
| Return on average tangible common equity[1] | 14.2% | 9.0% | 7.1% |
| Capital distributions: | | | |
| Common dividends paid | $ 202 | $ 89 | $ 58 |
| Bank common stock repurchased - from publicly announced plans | 670 | 320 | 90 |
| Total capital distributed to common shareholders | $ 872 | $ 409 | $ 148 |
| Capital distributed as a percentage of net earnings applicable to common shareholders | 103% | 74% | 36% |

[1] *See "GAAP to Non-GAAP Reconciliations" on page 5 for more information regarding these ratios.*

[2] *Based on the applicable phase-in periods.*

At December 31, 2018, Basel III regulatory tier 1 risk-based capital and total risk-based capital was $6.8 billion and $7.4 billion, respectively, compared with $6.8 billion and $7.6 billion, respectively, at December 31, 2017.

## CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Note 1 of the Notes to Consolidated Financial Statements contains a summary of the Bank's significant accounting policies. Discussed below are certain significant accounting policies that we consider critical to the Bank's financial statements. These critical accounting policies were selected because the amounts affected by them are significant to the financial statements. Any changes to these amounts, including changes in estimates, may also be significant to the financial statements. We believe that an understanding of these policies, along with the related estimates we are required to make in recording the financial transactions of the Bank, is important to have a complete picture of the Bank's financial condition. In addition, in arriving at these estimates, we are required to make complex and subjective judgments, many of which include a high degree of uncertainty. The following discussion of these critical accounting policies includes the significant estimates related to these policies. We have discussed each of these accounting policies and the related estimates with the Audit Committee of the Board of Directors.

We have included, where applicable in this document, sensitivity schedules and other examples to demonstrate the impact of the changes in estimates made for various financial transactions. The sensitivities in these schedules and examples are hypothetical and should be viewed with caution. Changes in estimates are based on variations in assumptions and are not subject to simple extrapolation, as the relationship of the change in the assumption to the change in the amount of the estimate may not be linear. In addition, the effect of a variation in one assumption is in reality likely to cause changes in other assumptions, which could potentially magnify or counteract the sensitivities.

### Fair Value Estimates

We measure or monitor many of our assets and liabilities on a fair value basis. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To increase consistency and comparability in fair value measurements, GAAP has established a three-level hierarchy to prioritize the valuation inputs among (1) observable inputs that reflect quoted prices in active markets, (2) inputs

other than quoted prices with observable market data, and (3) unobservable data such as the Bank's own data or single dealer nonbinding pricing quotes.

When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analysis. These modeling techniques use assumptions that market participants would consider in pricing the asset or the liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, the life of the asset and applicable growth rate, the risk of nonperformance, and other related assumptions.

The selection and weighting of the various fair value techniques may result in a fair value higher or lower than the carrying value of the item being valued. Considerable judgment may be involved in determining the amount that is most representative of fair value.

For assets and liabilities recorded at fair value, the Bank's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those items where there is an active market. In certain cases, when market observable inputs for model-based valuation techniques may not be readily available, the Bank is required to make judgments about the assumptions market participants would use in estimating the fair value of the financial instrument. The models used to determine fair value adjustments are regularly evaluated by management for relevance under current facts and circumstances.

Changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. When market data is not available, the Bank uses valuation techniques requiring more management judgment to estimate the appropriate fair value.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary measure of accounting. Fair value is used on a nonrecurring basis to measure certain assets or liabilities (including HTM securities, loans held for sale, and OREO) for impairment or for disclosure purposes in accordance with current accounting guidance.

Impairment analysis also relates to long-lived assets, goodwill, and core deposit and other intangible assets. An impairment loss is recognized if the carrying amount of the asset is not likely to be recoverable and exceeds its fair value. In determining the fair value, management uses models and applies the techniques and assumptions previously discussed.

Investment securities are valued using several methodologies, which depend on the nature of the security, availability of current market information, and other factors. Investment securities in an unrealized loss position are formally reviewed on a quarterly basis for the presence of other-than-temporary impairment ("OTTI"). OTTI is considered to have occurred if the instrument's fair value is below its amortized cost and (1) we intend to sell the security, or (2) 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" criterion is a lower threshold than the "probable" criterion.

Notes 1, 3, 5, 7, and 9 of the Notes to Consolidated Financial Statements and the "Investment Securities Portfolio" on page 48 contain further information regarding the use of fair value estimates.

### Allowance for Credit Losses

The ACL includes the ALLL and the RULC. The ALLL represents management's estimate of probable losses believed to be inherent in the loan portfolio. The determination of the appropriate level of the allowance is based on periodic evaluations of the portfolios. This process includes both quantitative and qualitative analyses, as well as a qualitative review of the results. The qualitative review requires a significant amount of judgment, and is described in more detail in Note 6 of the Notes to Consolidated Financial Statements.

The RULC provides for potential losses associated with off-balance sheet lending commitments and standby letters of credit. The reserve is estimated using the same procedures and methodologies as for the ALLL, plus assumptions regarding the probability and amount of unfunded commitments being drawn.

Although we believe that our processes for determining an appropriate level for the allowance adequately address the various components that could potentially result in credit losses, the processes and their elements include features that may be susceptible to significant change. Any unfavorable differences between the actual outcome of credit-related events and our estimates could require an additional provision for credit losses. As an example, if the probability of default risk grade for all pass-graded commercial and CRE loans was immediately downgraded one grade on our internal risk-grading scale, the quantitatively determined amount of the ALLL at December 31, 2018 would increase by approximately $89 million. This sensitivity analysis is hypothetical and has been provided only to indicate the potential impact that changes in risk grades may have on the allowance estimate.

Although the qualitative process is subjective, it represents the Bank's best estimate of qualitative factors impacting the determination of the ACL. We believe that given the procedures we follow in determining the ACL, the various components used in the current estimation processes are appropriate.

Note 6 of the Notes to Consolidated Financial Statements and "Credit Risk Management" on page 52 contains further information and more specific descriptions of the processes and methodologies used to estimate the ACL.

**Accounting for Goodwill**

Goodwill is initially recorded at fair value in the financials of a reporting unit at the time of its acquisition and is subsequently evaluated at least annually for impairment in accordance with current accounting guidance. We perform this test at the beginning of the fourth quarter annually, or more often if events or circumstances indicate that the carrying value of any of our reporting units, inclusive of goodwill, is less than fair value. The goodwill impairment test for a given reporting unit compares its fair value with its carrying value. If the carrying amount, inclusive of goodwill, is more likely than not to exceed its fair value, additional quantitative analysis must be performed to determine the amount, if any, of goodwill impairment. Our reporting units with goodwill are Amegy, CB&T and Zions Bank.

To determine the fair value of a reporting unit, we historically have used a combination of up to three separate quantitative methods: comparable publicly-traded commercial banks in the western and southwestern states ("Market Value"); where applicable, comparable acquisitions of commercial banks in the western and southwestern states ("Transaction Value"); and the discounted present value of management's estimates of future cash flows. Critical assumptions that are used as part of these calculations include:

- selection of comparable publicly-traded companies based on location, size, and business focus and composition;
- selection of market comparable acquisition transactions based on location, size, business focus and composition, and date of the transaction;
- the discount rate, which is based on the Bank's estimate of its cost of equity capital;
- the projections of future earnings and cash flows of the reporting unit;
- the relative weight given to the valuations derived by the three methods described; and
- the control premium associated with reporting units.

We apply a control premium in the Market Value approach to determine the reporting units' equity values. Control premiums represent the ability of a controlling shareholder to change how the Bank is managed and can cause the fair value of a reporting unit as a whole to exceed its market capitalization. Based on a review of historical bank acquisition transactions within the Bank's geographic footprint, and a comparison of the target banks' market values 30 days prior to the announced transaction to the deal value, we have determined that a control premium ranging from 0% to 15% for the reporting units was appropriate.

Since estimates are an integral part of the impairment computations, changes in these estimates could have a significant impact on any calculated impairment amount. Estimates include economic conditions, which impact the

assumptions related to interest and growth rates, loss rates, and imputed cost of equity capital. The fair value estimates for each reporting unit incorporate current economic and market conditions, including Federal Reserve monetary policy expectations and the impact of legislative and regulatory changes. Additional factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, loan losses, changes in growth trends, cost structures and technology, changes in equity market values and merger and acquisition valuations, and changes in industry conditions.

Weakening in the economic environment, a decline in the performance of the reporting units, or other factors could cause the fair value of one or more of the reporting units to fall below carrying value, resulting in a goodwill impairment charge. Additionally, new legislative or regulatory changes not anticipated in management's expectations may cause the fair value of one or more of the reporting units to fall below the carrying value, resulting in a goodwill impairment charge. Any impairment charge would not affect the Bank's regulatory capital ratios, tangible common equity ratio, or liquidity position.

During the fourth quarter of 2017, we performed a full quantitative analysis of the reporting units' fair value as described above. Our evaluation process determined that the fair values of Amegy, CB&T, and Zions Bank exceeded their carrying values by 35%, 54%, and 78%, respectively. Additionally, we performed a hypothetical sensitivity analysis on the discount rate assumption to evaluate the impact of an adverse change to this assumption. If the discount rate applied to future earnings were increased by 100 bps, the fair values of Amegy, CB&T, and Zions Bank would exceed their carrying values by 33%, 52%, and 72%, respectively.

During the fourth quarter of 2018, we performed our annual goodwill impairment evaluation, effective October 1, 2018. The Bank elected to perform a qualitative analysis to determine if the quantitative analysis performed in prior years as described above was required. The Bank's qualitative analysis assessed factors related to each reporting unit to determine if it was more likely than not that the carrying value of any reporting unit was greater than the unit's fair value. The qualitative factors considered in our assessment for each reporting unit included (1) economic, industry and market conditions, (2) regulatory or political developments that could negatively impact operating costs and overall financial performance of any of our specific reporting units, and (3) any changes in management, key personnel, strategy, customers, and any new or evolving litigation.

None of the factors considered in our qualitative assessment gave any indication that the reporting units' fair values decreased during the 2018 fiscal year. Additionally, as evidenced in the Business Segment Analysis section of the MD&A, each reporting unit's key performance metrics remained materially unchanged or improved in 2018 compared to 2017. Considering the improved performance of each reporting unit and the lack of any significant concerns being identified in our qualitative assessment, we concluded that it is more likely than not that the fair value of each reporting unit continues to be greater than its carry amount making further quantitative impairment testing unnecessary. As a result, none of our reporting units were subject to goodwill impairment during 2018 or were determined to be at-risk for a potential goodwill impairment in the near future based on information known at this time.

## RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note 2 of the Notes to Consolidated Financial Statements discusses recently issued accounting pronouncements that we will be required to adopt. Also discussed is our expectation of the impact these new accounting pronouncements will have, to the extent they are material, on our financial condition, results of operations, or liquidity.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this Item is included in "Interest Rate and Market Risk Management" in MD&A beginning on page 62 and is hereby incorporated by reference.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Zions Bancorporation, National Association and subsidiaries ("the Bank") is responsible for establishing and maintaining adequate internal control over financial reporting for the Bank as defined by Exchange Act Rules 13a-15 and 15d-15.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, we believe our system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

The Bank's management has used the criteria established in Internal Control – Integrated Framework (2013 framework) issued by the COSO to evaluate the effectiveness of the Bank's internal control over financial reporting.

The Bank's management has assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2018 and has concluded that such internal control over financial reporting is effective. There are no material weaknesses in the Bank's internal control over financial reporting that have been identified by the Bank's management.

Ernst & Young LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Bank for the year ended December 31, 2018 and has also issued an attestation report, which is included herein, on internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB").

## REPORTS OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and the Board of Directors of Zions Bancorporation, National Association and Subsidiaries

**Opinion on Internal Control over Financial Reporting**

We have audited Zions Bancorporation, National Association and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Zions Bancorporation, National Association and subsidiaries ("the Bank") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Bank and our report dated February 25, 2019 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

We have served as the Bank's auditor since 2000.

Salt Lake City, Utah
February 25, 2019

## REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and the Board of Directors of Zions Bancorporation, National Association and Subsidiaries

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Zions Bancorporation, National Association and subsidiaries ("the Bank") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Bank's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2019 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Bank's auditor since 2000.

Salt Lake City, Utah
February 25, 2019

*ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES*

## CONSOLIDATED BALANCE SHEETS

| *(In millions, shares in thousands)* | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| **ASSETS** | | |
| Cash and due from banks | $ 614 | $ 548 |
| Money market investments: | | |
| Interest-bearing deposits | 619 | 782 |
| Federal funds sold and security resell agreements | 1,461 | 514 |
| Investment securities: | | |
| Held-to-maturity, at amortized cost (approximate fair value $767 and $762) | 774 | 770 |
| Available-for-sale, at fair value | 14,737 | 15,161 |
| Trading account, at fair value | 106 | 148 |
| Total investment securities | 15,617 | 16,079 |
| Loans held for sale | 93 | 44 |
| Loans and leases, net of unearned income and fees | 46,714 | 44,780 |
| Less allowance for loan losses | 495 | 518 |
| Loans, net of allowance | 46,219 | 44,262 |
| Other noninterest-bearing investments | 1,046 | 1,029 |
| Premises, equipment and software, net | 1,124 | 1,094 |
| Goodwill and intangibles | 1,015 | 1,016 |
| Other real estate owned | 4 | 4 |
| Other assets | 934 | 916 |
| Total assets | $ 68,746 | $ 66,288 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Deposits: | | |
| Noninterest-bearing demand | $ 23,645 | $ 23,886 |
| Interest-bearing: | | |
| Savings and money market | 26,120 | 25,620 |
| Time | 4,336 | 3,115 |
| Total deposits | 54,101 | 52,621 |
| Federal funds and other short-term borrowings | 5,653 | 4,976 |
| Long-term debt | 724 | 383 |
| Reserve for unfunded lending commitments | 57 | 58 |
| Other liabilities | 633 | 571 |
| Total liabilities | 61,168 | 58,609 |
| Shareholders' equity: | | |
| Preferred stock, without par value; authorized 4,400 shares | 566 | 566 |
| Common stock ($0.001 par value; authorized 350,000 shares; issued and outstanding 187,554 and 197,532 shares) | — | 4,445 |
| Additional paid-in-capital | 3,806 | — |
| Retained earnings | 3,456 | 2,807 |
| Accumulated other comprehensive income (loss) | (250) | (139) |
| Total shareholders' equity | 7,578 | 7,679 |
| Total liabilities and shareholders' equity | $ 68,746 | $ 66,288 |

*See accompanying notes to consolidated financial statements.*

Table of Contents

*ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES*

**CONSOLIDATED STATEMENTS OF INCOME**

| *(In millions, except shares and per share amounts)* | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Interest income: | | | |
| Interest and fees on loans | $ 2,102 | $ 1,847 | $ 1,729 |
| Interest on money market investments | 29 | 19 | 21 |
| Interest on securities | 350 | 326 | 204 |
| Total interest income | 2,481 | 2,192 | 1,954 |
| Interest expense: | | | |
| Interest on deposits | 135 | 59 | 49 |
| Interest on short- and long-term borrowings | 116 | 68 | 38 |
| Total interest expense | 251 | 127 | 87 |
| Net interest income | 2,230 | 2,065 | 1,867 |
| Provision for loan losses | (39) | 24 | 93 |
| Net interest income after provision for loan losses | 2,269 | 2,041 | 1,774 |
| Noninterest income: | | | |
| Service charges and fees on deposit accounts | 166 | 171 | 171 |
| Other service charges, commissions and fees | 228 | 217 | 208 |
| Wealth management and trust income | 51 | 42 | 37 |
| Loan sales and servicing income | 25 | 25 | 35 |
| Capital markets and foreign exchange | 31 | 30 | 22 |
| Customer-related fees | 501 | 485 | 473 |
| Dividends and other investment income | 43 | 40 | 24 |
| Securities gains, net | 1 | 14 | 7 |
| Other | 7 | 5 | 12 |
| Total noninterest income | 552 | 544 | 516 |
| Noninterest expense: | | | |
| Salaries and employee benefits | 1,070 | 1,006 | 978 |
| Occupancy, net | 132 | 129 | 125 |
| Furniture, equipment and software, net | 126 | 130 | 125 |
| Other real estate expense, net | 1 | (1) | (2) |
| Credit-related expense | 25 | 29 | 25 |
| Provision for unfunded lending commitments | (1) | (7) | (10) |
| Professional and legal services | 52 | 57 | 56 |
| Advertising | 26 | 22 | 22 |
| FDIC premiums | 50 | 53 | 40 |
| Other | 197 | 231 | 226 |
| Total noninterest expense | 1,678 | 1,649 | 1,585 |
| Income before income taxes | 1,143 | 936 | 705 |
| Income taxes | 259 | 344 | 236 |
| Net income | 884 | 592 | 469 |
| Preferred stock dividends | (34) | (40) | (48) |
| Preferred stock redemption | — | (2) | (10) |
| Net earnings applicable to common shareholders | $ 850 | $ 550 | $ 411 |
| Weighted average common shares outstanding during the year: | | | |
| Basic shares (in thousands) | 193,589 | 200,776 | 203,855 |
| Diluted shares (in thousands) | 206,501 | 209,653 | 204,269 |
| Net earnings per common share: | | | |
| Basic | $ 4.36 | $ 2.71 | $ 2.00 |
| Diluted | 4.08 | 2.60 | 1.99 |

*See accompanying notes to consolidated financial statements.*

*ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES*

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| *(In millions)* | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Net income | $ 884 | $ 592 | $ 469 |
| Other comprehensive income (loss), net of tax: | | | |
| Net unrealized holding losses on investment securities | (113) | (2) | (74) |
| Net unrealized gains on other noninterest-bearing investments | 2 | 3 | 2 |
| Net unrealized holding gains (losses) on derivative instruments | (4) | (3) | 5 |
| Reclassification adjustment for increase in interest income recognized in earnings on derivative instruments | 3 | (2) | (7) |
| Pension and postretirement | 1 | 12 | 7 |
| Effect of new tax rates from Tax Cuts and Jobs Act of 2017 | — | (25) | — |
| Other comprehensive loss | (111) | (17) | (67) |
| Comprehensive income | $ 773 | $ 575 | $ 402 |

*See accompanying notes to consolidated financial statements.*

*ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES*

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

| *(In millions, except shares and per share amounts)* | Preferred stock | Common stock | | Accumulated Paid-in Capital | Retained earnings | Accumulated other comprehensive income (loss) | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | | Shares *(in thousands)* | Amount | | | | |
| **Balance at December 31, 2015** | $ 828 | 204,417 | $ 4,767 | $ — | $ 1,967 | $ (55) | $ 7,507 |
| Net income | | | | | 469 | | 469 |
| Other comprehensive loss, net of tax | | | | | | (67) | (67) |
| Preferred stock redemption | (118) | | 2 | | (10) | | (126) |
| Bank common stock repurchased | | (3,149) | (97) | | | | (97) |
| Net activity under employee plans and related tax benefits | | 1,817 | 53 | | | | 53 |
| Dividends on preferred stock | | | | | (48) | | (48) |
| Dividends on common stock, $0.28 per share | | | | | (58) | | (58) |
| Change in deferred compensation | | | | | 1 | | 1 |
| **Balance at December 31, 2016** | 710 | 203,085 | 4,725 | — | 2,321 | (122) | 7,634 |
| Net income | | | | | 592 | | 592 |
| Other comprehensive income, net of tax | | | | | | 8 | 8 |
| Preferred stock redemption | (144) | | 2 | | (2) | | (144) |
| Bank common stock repurchased | | (7,299) | (332) | | | | (332) |
| Net activity under employee plans and related tax benefits | | 1,746 | 50 | | | | 50 |
| Dividends on preferred stock | | | | | (40) | | (40) |
| Dividends on common stock, $0.44 per share | | | | | (89) | | (89) |
| Effect of new tax rates from Tax Cuts and Jobs Act of 2017 | | | | | 25 | (25) | — |
| **Balance at December 31, 2017** | 566 | 197,532 | 4,445 | — | 2,807 | (139) | 7,679 |
| Net income | | | | | 884 | | 884 |
| Merger of Bank Holding Company into Bank | | | (4,052) | 4,052 | | | — |
| Cumulative effect adjustment, adoption of ASU 2014-09, Revenue from Contracts with Customers | | | | | 1 | | 1 |
| Other comprehensive loss, net of tax | | | | | | (111) | (111) |
| Bank common stock repurchased | | (13,198) | (434) | (250) | | | (684) |
| Net shares issued from stock warrant exercises | | 1,770 | | | | | — |
| Net activity under employee plans and related tax benefits | | 1,450 | 41 | 4 | | | 45 |
| Dividends on preferred stock | | | | | (34) | | (34) |
| Dividends on common stock, $1.04 per share | | | | | (202) | | (202) |
| **Balance at December 31, 2018** | $ 566 | 187,554 | $ — | $ 3,806 | $ 3,456 | $ (250) | $ 7,578 |

*See accompanying notes to consolidated financial statements.*

*ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| *(In millions)* | Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income | $ 884 | $ 592 | $ 469 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for credit losses | (40) | 17 | 83 |
| Depreciation and amortization | 193 | 179 | 123 |
| Share-based compensation | 26 | 25 | 26 |
| Securities gains, net | (1) | (14) | (7) |
| Deferred income tax expense (benefit) | — | 154 | (8) |
| Net decrease (increase) in trading securities | 42 | (33) | (67) |
| Net decrease in loans held for sale | 9 | 97 | 1 |
| Change in other liabilities | 74 | 29 | 1 |
| Change in other assets | 14 | (89) | (10) |
| Other, net | (25) | (29) | (15) |
| Net cash provided by operating activities | 1,176 | 928 | 596 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net decrease (increase) in money market investments | (784) | 683 | 4,749 |
| Proceeds from maturities and paydowns of investment securities held-to-maturity | 361 | 314 | 94 |
| Purchases of investment securities held-to-maturity | (365) | (216) | (416) |
| Proceeds from sales, maturities, and paydowns of investment securities available-for-sale | 3,061 | 2,412 | 3,787 |
| Purchases of investment securities available-for-sale | (2,927) | (4,719) | (9,359) |
| Net change in loans and leases | (1,943) | (2,135) | (2,102) |
| Purchases and sales of other noninterest-bearing investments | 14 | (105) | (20) |
| Purchases of premises and equipment | (129) | (169) | (196) |
| Proceeds from sales of other real estate owned | 6 | 8 | 20 |
| Other, net | — | 8 | 7 |
| Net cash used in investing activities | (2,706) | (3,919) | (3,436) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net increase (decrease) in deposits | 1,484 | (614) | 2,883 |
| Net change in short-term funds borrowed | 2,677 | 2,149 | 480 |
| Proceeds from debt over 90 days and up to one year | — | 5,100 | — |
| Repayments of debt over 90 days and up to one year | (2,000) | (3,100) | — |
| Cash paid for preferred stock redemptions | — | (144) | (126) |
| Repayments of long-term debt | (162) | (153) | (280) |
| Proceeds from the issuance of long-term debt | 497 | — | — |
| Bank common stock repurchased | (684) | (332) | (97) |
| Proceeds from the issuance of common stock | 20 | 25 | 25 |
| Dividends paid on common and preferred stock | (236) | (129) | (108) |
| Other, net | — | — | 2 |
| Net cash provided by financing activities | 1,596 | 2,802 | 2,779 |
| Net increase (decrease) in cash and due from banks | 66 | (189) | (61) |
| Cash and due from banks at beginning of year | 548 | 737 | 798 |
| Cash and due from banks at end of year | $ 614 | $ 548 | $ 737 |
| | | | |
| Cash paid for interest | $ 237 | $ 118 | $ 83 |
| Net cash paid for income taxes | 207 | 246 | 214 |
| Noncash activities are summarized as follows: | | | |
| Loans held for investment transferred to other real estate owned | 8 | 6 | 15 |
| Loans held for investment reclassified to loans held for sale, net | 111 | 25 | 50 |

*See accompanying notes to consolidated financial statements.*

*ZIONS BANCORPORATION, N.A. AND SUBSIDIARIES*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Business*

Zions Bancorporation, National Association, ("Zions Bancorporation, N.A.", "the Bank," "we," "our," "us") is a national commercial bank headquartered in Salt Lake City, Utah. The Bank provides a full range of banking and related services in 11 western and southwestern states through seven separately managed and branded units as follows: Zions Bank, in Utah, Idaho and Wyoming; California Bank & Trust ("CB&T"); Amegy Bank ("Amegy"), in Texas; National Bank of Arizona ("NBAZ"); Nevada State Bank ("NSB"); Vectra Bank Colorado ("Vectra"), in Colorado and New Mexico; and The Commerce Bank of Washington ("TCBW") which operates under that name in Washington and under the name The Commerce Bank of Oregon ("TCBO") in Oregon.

### *Basis of Financial Statement Presentation and Principles of Consolidation*

The consolidated financial statements include the accounts of the Zions Bancorporation, National Association and its majority-owned subsidiaries. Unconsolidated investments where we have the ability to exercise significant influence over the operating and financial policies of the respective investee are accounted for using the equity method of accounting; those that are not consolidated or accounted for using the equity method of accounting are accounted for under cost or fair value accounting. All significant intercompany accounts and transactions have been eliminated in consolidation. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements.

The consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") and prevailing practices within the financial services industry. References to GAAP, including standards promulgated by the Financial Accounting Standards Board ("FASB"), are made according to sections of the Accounting Standards Codification ("ASC"). Changes to the ASC are made with Accounting Standards Updates ("ASU") that include consensus issues of the Emerging Issues Task Force ("EITF"). In certain cases, ASUs are issued jointly with International Financial Reporting Standards.

In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications did not affect net income or shareholders' equity.

### *Variable Interest Entities*

A variable interest entity ("VIE") is consolidated when a company is the primary beneficiary of the VIE. Current accounting guidance requires continuous analysis on a qualitative rather than a quantitative basis to determine the primary beneficiary of a VIE. At the commencement of our involvement, and periodically thereafter, we consider our consolidation conclusions for all entities with which we are involved. As of December 31, 2018 and 2017, no VIEs have been consolidated in the Bank's financial statements.

### *Statement of Cash Flows*

For purposes of presentation in the consolidated statements of cash flows, "cash and cash equivalents" are defined as those amounts included in cash and due from banks in the consolidated balance sheets.

### *Fair Value Estimates*

We measure many of our assets and liabilities on a fair value basis. Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. To improve consistency and comparability in fair value measurements, GAAP has established a hierarchy to prioritize the valuation inputs among three levels. The Bank prioritizes quoted prices in active markets and minimizes reliance on

unobservable inputs when possible. When observable market prices are not available, fair value is estimated using modeling techniques such as discounted cash flow analysis. These modeling techniques use assumptions that market participants would consider in pricing the asset or the liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset, the life of the asset and applicable growth rate, the risk of nonperformance, and other related assumptions. Changes in market conditions may reduce the availability of quoted prices or observable data. When market data is not available, the Bank uses valuation techniques requiring professional judgment to estimate the appropriate fair value. See Note 3 of the Notes to Consolidated Financial Statements for further information regarding the use of fair value estimates.

***Security Resell Agreements***

Security resell agreements represent overnight and term agreements with the majority maturing within 30 days. These agreements are generally treated as collateralized financing transactions and are carried at amounts at which the securities were acquired plus accrued interest. Either the Bank, or in some instances third parties on its behalf, take possession of the underlying securities. The fair value of such securities is monitored throughout the contract term to ensure that asset values remain sufficient to protect against counterparty default. We are permitted by contract to sell or repledge certain securities that we accept as collateral for security resell agreements. If sold, our obligation to return the collateral is recorded as “securities sold, not yet purchased” and included as a liability in “Federal funds and other short-term borrowings.” At December 31, 2018, we held $1.2 billion of securities for which we were permitted by contract to sell or repledge. Security resell agreements averaged $488 million during 2018, and the maximum amount outstanding at any month-end during 2018 was $1.2 billion.

***Investment Securities***

We classify our investment securities according to their purpose and holding period. Gains or losses on the sale of securities are recognized using the specific identification method and recorded in noninterest income.

Held-to-maturity (“HTM”) debt securities are carried at amortized cost with purchase discounts or premiums accreted or amortized into interest income over the contractual life of the security. The Bank has the intent and ability to hold such securities until maturity.

Available-for-sale (“AFS”) securities are stated at fair value and generally consist of debt securities held for investment. Unrealized gains and losses of AFS securities, after applicable taxes, are recorded as a component of other comprehensive income (“OCI”).

We review quarterly our investment securities portfolio for any declines in value that are considered to be other-than-temporary impairment (“OTTI”). The process, methodology, and factors considered to evaluate securities for OTTI are discussed further in Note 5.

Trading securities are stated at fair value and consist of securities acquired for short-term appreciation or other trading purposes. Realized and unrealized gains and losses are recorded in trading income, which is included in “Capital markets and foreign exchange.”

The fair values of investment securities, as estimated under current accounting guidance, are discussed in Note 3.

***Loans and Allowance for Credit Losses***

Loans are reported at the principal amount outstanding, net of unearned income. Unearned income, which includes deferred fees net of deferred direct loan origination costs, is amortized to interest income over the life of the loan using the interest method. Interest income is recognized on an accrual basis.

At the time of origination, we determine whether loans will be held for investment or held for sale. We may subsequently change our intent to hold loans for investment and reclassify them as held for sale. Loans held for sale are carried at the lower of aggregate cost or fair value. A valuation allowance is recorded when cost exceeds fair value based on reviews at the time of reclassification and periodically thereafter. Gains and losses are recorded in noninterest income based on the difference between sales proceeds and carrying value.

We evaluate loans throughout their lives for signs of credit deterioration, which may impact the loan's status, and potentially impact our accounting for that loan. Loan status categories include past due as to contractual payments, nonaccrual, impaired, and restructured (including troubled debt restructurings "TDRs"). Our accounting policies for these loan statuses and our estimation of the related allowance for loan and lease losses ("ALLL") are discussed further in Note 6.

In the ordinary course of business, we transfer portions of loans under participation agreements to manage credit risk and our portfolio concentration. We evaluate the loan participations to determine if they meet the appropriate accounting guidance to qualify as sales. Certain purchased loans require separate accounting procedures that are also discussed in Note 6.

The allowance for credit losses ("ACL") includes the ALLL and the reserve for unfunded lending commitments ("RULC") and represents our estimate of losses inherent in the loan portfolio that may be recognized from loans and lending commitments that are not recoverable. Further discussion of our estimation process for the ACL is included in Note 6.

***Other Noninterest-Bearing Investments***

These investments include investments in private equity funds (referred to in this document as private equity investments "PEIs"), venture capital securities, securities acquired for various debt and regulatory requirements, bank-owned life insurance, and certain other noninterest-bearing investments. See further discussions in Notes 5, 15 and 3.

Certain PEIs and venture capital securities are accounted for under the equity method and reported at fair value. Changes in fair value and gains and losses from sales are recognized in noninterest income. The values assigned to the securities where no market quotations exist are based upon available information and may not necessarily represent amounts that will ultimately be realized. Such estimated amounts depend on future circumstances and will not be realized until the individual securities are liquidated.

Bank-owned life insurance is accounted for at fair value based on the cash surrender values ("CSVs") of the general account insurance policies. A third-party service provides these values.

Other PEIs and those acquired for various debt and regulatory requirements are accounted for at cost. Periodic reviews are conducted for impairment by comparing carrying values with estimates of fair value determined according to the previous discussion.

***Premises, Equipment and Software, Net***

Premises, equipment and software are stated at cost, net of accumulated depreciation and amortization. Depreciation, computed primarily on the straight-line method, is charged to operations over the estimated useful lives of the properties, generally 25 to 40 years for buildings, 3 to 10 years for furniture and equipment, and 3 to 10 years for software, including capitalized costs related to the Bank's technology initiatives. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements (including any extension options that are reasonably certain to be exercised), whichever is shorter.

***Goodwill and Identifiable Intangible Assets***

Goodwill and intangible assets deemed to have indefinite lives are not amortized. We subject these assets to annual specified impairment tests as of the beginning of the fourth quarter and more frequently if changing conditions warrant. Core deposit assets and other intangibles with finite useful lives are generally amortized on an accelerated basis using an estimated useful life of up to 12 years.

***Business Combinations***

Business combinations are accounted for under the acquisition method of accounting. Upon initially obtaining control, we recognize 100% of all acquired assets and all assumed liabilities regardless of the percentage owned. The assets and liabilities are recorded at their estimated fair values, with goodwill being recorded when such fair values are less than the cost of acquisition. Certain transaction and restructuring costs are expensed as incurred.

Changes to estimated fair values from a business combination are recognized as an adjustment to goodwill over the measurement period, which cannot exceed one year from the acquisition date. Results of operations of the acquired business are included in our statement of income from the date of acquisition.

### *Other Real Estate Owned*

Other real estate owned ("OREO") consists principally of commercial and residential real estate obtained in partial or total satisfaction of loan obligations. Amounts are recorded initially at fair value (less any selling costs) based on property appraisals at the time of transfer and subsequently at the lower of cost or fair value (less any selling costs).

### *Derivative Instruments*

We use derivative instruments, including interest rate swaps, purchased and sold options such as floors and basis swaps, as part of our overall interest rate risk management strategy. Derivatives are an important tool used in managing our overall asset and liability sensitivities to remain within management's stated interest rate risk thresholds. Their use allows us to adjust and align our naturally occurring mix of fixed and floating-rate assets and liabilities to manage interest income volatility by synthetically converting variable-rate assets to fixed-rate, or synthetically converting fixed-rate funding instruments to floating rates.

We also execute both interest rate and short-term foreign currency derivative instruments with our commercial banking customers to facilitate their risk management strategies. These derivatives are immediately hedged by offsetting derivatives with third parties such that we minimize our net risk exposure as a result of such transactions. We record all derivatives at fair value in the balance sheet as either other assets or other liabilities. The accounting for changes in value of a derivative depends on whether or not the transaction has been designated and qualifies for hedge accounting. Derivatives that are not designated as hedges are reported and measured at fair value through earnings. See Note 7 for more information.

### *Derivatives in Designated Accounting Hedge*

We apply hedge accounting to certain derivatives executed for risk management purposes, primarily interest rate risk. To qualify for hedge accounting, a derivative must be highly effective at reducing the risk associated with the exposure being hedged and the hedging relationship must be formally documented. We primarily use regression analysis to assess the effectiveness of each hedging relationship, unless the hedge qualifies for other methods of assessing effectiveness (e.g. shortcut or critical terms match), both at inception and on an ongoing basis. We use Accounting Hedges as designated fair value and cash flow hedges and can be a significant aspect of the Bank's overall interest risk sensitivity management. The Bank may add additional hedging strategies and apply hedge accounting to the strategies as it deems necessary. See Note 7 for more information regarding the accounting for derivatives designated as hedging instruments.

### *Commitments and Letters of Credit*

In the ordinary course of business, we enter into commitments to extend credit, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable. The credit risk associated with these commitments is evaluated in a manner similar to the ALLL. The RULC is presented separately in the balance sheet.

### *Revenue Recognition*

Service charges and fees on deposit accounts are recognized in accordance with published deposit account agreements for customer accounts or contractual agreements for commercial accounts. Other service charges, commissions and fees include interchange fees, bank services, and other fees, which are generally recognized at the time of transaction or as the services are performed.

### *Share-Based Compensation*

Share-based compensation generally includes grants of stock options, restricted stock, restricted stock units ("RSUs"), and other awards to employees and non-employee directors. We recognize compensation expense in the statement of income based on the grant-date value of the associated share-based awards. See further discussion in Note 18.

### *Income Taxes*

Deferred tax assets ("DTAs") and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax basis and are measured using enacted tax laws and rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Unrecognized tax benefits for uncertain tax positions relate primarily to tax credits on technology initiatives. See further discussion in Note 19.

### *Net Earnings Per Common Share*

Net earnings per common share is based on net earnings applicable to common shareholders, which is net of preferred stock dividends. Basic net earnings per common share is based on the weighted average outstanding common shares during each year. Unvested share-based awards with rights to receive nonforfeitable dividends are considered participating securities and included in the computation of basic earnings per share. Diluted net earnings per common share is based on the weighted average outstanding common shares during each year, including common stock equivalents. Stock options, restricted stock, RSUs, and stock warrants are converted to common stock equivalents using the treasury stock method. Diluted net earnings per common share excludes common stock equivalents whose effect is antidilutive. See further discussion in Note 20.

## 2. RECENT ACCOUNTING PRONOUNCEMENTS

| Standard | Description | Date of adoption | Effect on the financial statements or other significant matters |
|---|---|---|---|
| **Standards not adopted by the Bank during 2018** | | | |
| ASU 2016-02, *Leases (Topic 842) and subsequent related ASUs* | This Standard requires that a lessee recognize assets and liabilities for leases on the balance sheet. For leases with a term of 12 months or less, however, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. The standard also requires disclosures to better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. | January 1, 2019 | The Bank has elected the second of two modified retrospective approaches for adoption of the standard. Under this method, upon adoption, we have recorded a right-of-use asset of approximately $225 million and an offsetting lease liability of $242 million. The impact to retained earnings upon adoption was not material. |
| ASU 2017-08, *Nonrefundable Fees and Other Costs (Subtopic 310-20). Premium Amortization on Purchased Callable Debt Securities* | The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium. The standard requires the premium to be amortized to the earliest call date. The update does not change the accounting for securities held at a discount. | January 1, 2019 | Using a modified retrospective transition approach, we recorded a cumulative-effect adjustment of a $3 million increase to retained earnings upon adoption of the ASU. |

| Standard | Description | Date of adoption | Effect on the financial statements or other significant matters |
|---|---|---|---|
| **Standards not adopted by the Bank during 2018 (continued)** | | | |
| ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* | The purpose of this ASU is to improve the effectiveness of disclosures in the notes to the financial statements. This Update removes, modifies, and makes certain additions to the disclosure requirements on fair value measurement. | January 1, 2019 | The effective date of this standard is January 1, 2020. However, we have elected to early adopt this ASU as of January 1, 2019. This standard will be applied prospectively after the adoption date. The Bank has determined that the changes to the disclosure requirements for fair value measurements are expected to be immaterial to its financial statements. |
| ASU 2018-15, *Intangibles – Goodwill and Other-Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Cost* | This ASU provides revised accounting guidance related to the accounting for implementation costs associated with Cloud Computing Arrangements that meet the criteria for a service contract. Some of the main provisions include:<br>-Implementation costs for cloud computing arrangements will be capitalized as an asset or recognized as an expense when incurred on the basis of existing GAAP, specifically guidance | January 1, 2019 | The effective date of this ASU is January 1, 2020 but we have elected to early adopt this Standard, as of January 1, 2019, prospectively. However, a primary purpose of this ASU was to clarify existing accounting guidance and reduce diversity in practice and the Bank has historically already been applying the |

| | | | |
|---|---|---|---|
| *Incurred in a Cloud Computing Arrangement That Is a Service Contract* | already provided around internal-use software.<br>-The amortization period for capitalized amounts will be the noncancelable hosting contract term plus any expected renewal periods.<br>-Entities in a hosting arrangement that is a service contract must provide certain qualitative and quantitative disclosures.<br>-For transition there is an option to either apply guidance retrospectively or prospectively. | | guidance as clarified in this ASU. Consequently, adoption will have little, if any, impact on the Bank's financial statements. |
| ASU 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* | This ASU significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces today's "incurred loss" approach with an "expected loss" model for instruments such as loans and HTM securities that are measured at amortized cost. The standard requires credit losses relating to AFS debt securities to be recorded through an ACL rather than a reduction of the carrying amount and replaces the historically required OTTI analysis. It also changes the accounting for purchased credit-impaired debt securities and loans.<br><br>The standard retains many of the current disclosure requirements in U.S. GAAP and expands certain disclosure requirements. Early adoption of the guidance is permitted as of January 1, 2019. | January 1, 2020 | We have formed an implementation team led jointly by Credit, Treasury, and the Corporate Controller's group, that also includes other lines of business and functions within the Bank. The implementation team is developing models that can meet the requirements of the new guidance. While this standard may potentially have a material impact on the Bank's financial statements, we are still in process of conducting our evaluation.<br><br>This ASU is required to be applied by means of a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first period of adoption as previously noted. The Bank does not plan to early adopt this new guidance. |

| Standard | Description | Date of adoption | Effect on the financial statements or other significant matters |
|---|---|---|---|
| **Standards not adopted by the Bank during 2018 (continued)** | | | |
| ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* | This ASU removes the requirements in step two of the current impairment model, eliminating the requirement to calculate and compare the implied fair value of the reporting entity with the carrying amount of that entity, including goodwill, to measure any impairment charge. Instead, entities would record an impairment charge based on the excess of a reporting unit's carrying amount of goodwill over its implied fair value of goodwill (i.e., measure the charge based on step one of the current guidance).<br><br>The standard also continues to allow entities to perform the optional qualitative goodwill impairment assessment before determining whether to proceed to step one. The standard is effective for the Bank as of January 1, 2020. Early adoption is allowed for any goodwill impairment test performed after January 1, 2017. | January 1, 2020 | We do not currently expect this guidance will have a material impact on the Bank's financial statements since the fair values of our reporting units were not lower than their respective carrying amounts of goodwill at the time of our impairment analysis for 2018 and there are no expected decreases in the fair value of the relevant reporting units in the foreseeable future.<br><br>The Bank is not planning to early adopt this new guidance. The transition and adoption provisions are to be applied prospectively. |

| Standard | Description | Date of adoption | Effect on the financial statements or other significant matters |
|---|---|---|---|
| **Standards adopted by the Bank during 2018** | | | |
| ASU 2014-09, *Revenue from Contracts with Customers (Topic 606) and subsequent related ASUs* | The core principle of the new guidance is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The banking industry does not expect significant changes because major sources of revenue are from financial instruments that have been excluded from the scope of the new standard, (including loans, derivatives, debt and equity securities, etc.). However, these new standards affect other fees charged by banks, such as asset management fees, credit card interchange fees, deposit account fees, etc. Adoption may be made on a full retrospective basis with practical expedients, or on a modified retrospective basis with a cumulative effect adjustment. Additionally, the new guidance significantly increases the disclosures related to revenue recognition practices. | January 1, 2018 | We adopted this guidance using the modified retrospective transition method. There was no material impact at adoption to the Bank's consolidated financial statements. New disclosures are found in Footnote 16. |
| ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* | This ASU provides revised accounting guidance related to the accounting for and reporting of financial instruments. Some of the main provisions include:<br>– Equity investments that do not result in consolidation and are not accounted for under the equity method would be measured at fair value through net income.<br>– Changes in instrument-specific credit risk for financial liabilities that are measured under the fair value option would be recognized in OCI<br>– Elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments carried at amortized cost. However, it will require the use of exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes. | January 1, 2018 | The transition adjustment upon adoption was booked through a cumulative-effect adjustment to the balance sheet as of the beginning of the year. Amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that existed as of the adoption date, if applicable.<br><br>The adoption of this guidance was determined to be immaterial in all aspects. We refined our valuation models to better account for the exit price, which does not impact our financial statements, but does have an impact on our disclosures, as provided in Footnote 3. |

| Standard | Description | Date of adoption | Effect on the financial statements or other significant matters |
|---|---|---|---|
| **Standards adopted by the Bank during 2018 (continued)** | | | |
| ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* | The purpose of this standard is to better align a company's financial reporting for hedging activities with the economic objectives of those activities. The standard is effective for public business entities for fiscal years beginning after December 15, 2018, with early adoption, including adoption in an interim period, permitted. The standard requires a modified retrospective transition method that requires recognition of the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. | January 1, 2018 | We early adopted this guidance in the first quarter. The adoption of this guidance did not have a material impact on our consolidated financial statements at transition. |

## 3. FAIR VALUE

### *Fair Value Measurement*

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 that 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 in active markets that the Bank has the ability to access;

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in less active markets, observable inputs other than quoted prices that are used in the valuation of an asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined by 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.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Market activity is presumed to be orderly in the absence of evidence of forced or disorderly sales, although such sales may still be indicative of fair value. Applicable accounting guidance precludes the use of blockage factors or liquidity adjustments due to the quantity of securities held by an entity.

We use fair value to measure certain assets and liabilities on a recurring basis when fair value is the primary measure for accounting. Fair value is used on a nonrecurring basis to measure certain assets when adjusting carrying values, such as the application of lower of cost or fair value accounting, including recognition of impairment on assets. Fair value is also used when providing required disclosures for certain financial instruments.

### *Fair Value Policies and Procedures*

We have various policies, processes and controls in place to ensure that fair values are reasonably developed, reviewed and approved for use. These include a Securities Valuation Committee, comprised of executive management, that reviews and approves on a quarterly basis the key components of fair value estimation, including critical valuation assumptions for Level 3 modeling. A Model Risk Management Group conducts model validations, including internal models, and sets policies and procedures for revalidation, including the timing of revalidation.

*Third Party Service Providers*

We use a third party pricing service to measure fair value for approximately 95% of our AFS Level 2 securities. Fair value measurements for other AFS Level 2 securities generally use certain inputs corroborated by market data and include standard discounted cash flow analysis.

For Level 2 securities, the third party pricing service provides documentation on an ongoing basis that presents market corroborative data, including detail pricing information and market reference data. The documentation includes benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data, including information from the vendor trading platform. We review, test and validate this information as appropriate. Absent observable trade data, we do not adjust prices from our third party sources.

The following describes the hierarchy designations, valuation methodologies, and key inputs to measure fair value on a recurring basis for designated financial instruments:

*Available-for-Sale*

*U.S. Treasury, Agencies and Corporations*

U.S. Treasury securities are measured under Level 1 using quoted market prices when available. U.S. agencies and corporations are measured under Level 2 generally using the previously discussed third party pricing service.

*Municipal Securities*

Municipal securities are measured under Level 2 using the third party pricing service.

*Money Market Mutual Funds and Other*

Money market mutual funds and other securities are measured under Level 1 or Level 2. For Level 1, quoted market prices are used which may include net asset values ("NAVs") or their equivalents. Level 2 valuations generally use quoted prices for similar securities. With the adoption of ASU 2016-01, as of January 1, 2018 our money market mutual funds are no longer classified as AFS and are now recognized in trading.

*Trading Account*

Securities in the trading account are generally measured under Level 2 using third party pricing service providers as described previously.

*Held-to-Maturity*

HTM securities are carried at amortized cost, but for disclosure purposes are measured at fair value using a third party pricing service or an internal model. The internal model utilizes observable market yields as inputs.

*Bank-Owned Life Insurance*

Bank-owned life insurance ("BOLI") is measured under Level 2 according to CSVs of the insurance policies that are provided by a third party service. Nearly all policies are general account policies with CSVs based on the Bank's claims on the assets of the insurance companies. The insurance companies' investments include predominantly fixed income securities consisting of investment-grade corporate bonds and various types of mortgage instruments. Management regularly reviews its BOLI investment performance, including concentrations among insurance providers.

*Private Equity Investments*

PEIs are generally measured under Level 3. The majority of these PEIs are held in the Bank's Small Business Investment Company ("SBIC") and are early-stage venture investments. The fair value measurements of these investments are reviewed at least on a quarterly basis, including whenever a new round of financing occurs. Certain of these investments may be measured using multiples of operating performance. The fair value measurements of PEIs are reviewed on a quarterly basis by the Securities Valuation Committee. The Equity Investments Committee,

consisting of executives familiar with the investments, reviews periodic financial information, including audited financial statements when available.

Certain valuation analytics may be employed that include current and projected financial performance, recent financing activities, economic and market conditions, market comparables, market liquidity, sales restrictions, and other factors. A significant change in the expected performance of the individual investment would result in a change in the fair value measurement of the investment. The amount of unfunded commitments to invest is disclosed in Note 15. Certain restrictions apply for the redemption of these investments and certain investments are prohibited by the Volcker Rule. See discussions in Notes 5 and 15.

*Agriculture Loan Servicing*

This asset results from our servicing of agriculture loans approved and funded by Federal Agricultural Mortgage Corporation ("FAMC"). We provide this servicing under an agreement with FAMC for loans they own. The asset's fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

*Interest-Only Strips*

Interest-only strips are created as a by-product of the securitization process. When the guaranteed portions of Small Business Administration ("SBA") 7(a) loans are pooled, interest-only strips may be created in the pooling process. The asset's fair value represents our projection of the present value of future cash flows measured under Level 3 using discounted cash flow methodologies.

*Deferred Compensation Plan Assets and Obligations*

Invested assets in the deferred compensation plan consist of shares of registered investment companies. These mutual funds are valued under Level 1 at quoted market prices, which represents the NAV of shares held by the plan at the end of the period.

*Derivatives*

Derivatives are measured according to their classification as either exchange-traded or over-the-counter. Exchange-traded derivatives consist of foreign currency exchange contracts measured under Level 1 because they are traded in active markets. Over-the-counter derivatives, including those for customers, consist of interest rate swaps and options. These derivatives are measured under Level 2 using third party services. Observable market inputs include yield curves (the London Interbank Offered Rate ("LIBOR") swap curve and relevant overnight index swap curves), foreign exchange rates, commodity prices, option volatilities, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect nonperformance risk for both the Bank and the respective counterparty. These adjustments are determined generally by applying a credit spread to the total expected exposure of the derivative.

*Securities Sold, Not Yet Purchased*

Securities sold, not yet purchased, included in "Federal funds and other short-term borrowings" on the balance sheet, are measured under Level 1 using quoted market prices. If not available, quoted prices under Level 2 for similar securities are used.

*Loans*

Loans are generally carried at amortized cost, but for disclosure purposes are measured at fair value according to their status as nonimpaired or impaired. For nonimpaired loans, fair value is estimated by discounting future cash flows using the LIBOR yield curve adjusted by a factor which reflects the credit, interest rate risk, and liquidity 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 derived from the methods used to estimate the ALLL for our loan portfolio and are adjusted quarterly as necessary to reflect the most recent loss experience. Impaired loans that are collateral-dependent are already considered to be held at fair value. Impaired loans that are not collateral-dependent have future cash flows reduced by the estimated "life-of-the-loan" credit loss

derived from methods used to estimate the ALLL for these loans. See Impaired Loans in Note 6 for details on the impairment measurement method for impaired loans. Loans, other than those held for sale, are not normally purchased and sold by the Bank, and there are no active trading markets for most of this portfolio.

### *Quantitative Disclosure by Fair Value Hierarchy*

Assets and liabilities measured at fair value by class on a recurring basis are summarized as follows:

| *(In millions)* | December 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **ASSETS** | | | | |
| Investment securities: | | | | |
| Available-for-sale: | | | | |
| U.S. Treasury, agencies and corporations | $ 40 | $ 13,385 | $ — | $ 13,425 |
| Municipal securities | | 1,291 | | 1,291 |
| Other debt securities | | 21 | | 21 |
| Total Available-for-sale | 40 | 14,697 | — | 14,737 |
| Trading account | 14 | 92 | | 106 |
| Other noninterest-bearing investments: | | | | |
| Bank-owned life insurance | | 516 | | 516 |
| Private equity investments | | | 102 | 102 |
| Other assets: | | | | |
| Agriculture loan servicing and interest-only strips | | | 18 | 18 |
| Deferred compensation plan assets | 95 | | | 95 |
| Derivatives: | | | | |
| Interest rate related and other | | 1 | | 1 |
| Interest rate swaps for customers | | 40 | | 40 |
| Foreign currency exchange contracts | 4 | | | 4 |
| Total Assets | $ 153 | $ 15,346 | $ 120 | $ 15,619 |
| **LIABILITIES** | | | | |
| Securities sold, not yet purchased | $ 85 | $ — | $ — | $ 85 |
| Other liabilities: | | | | |
| Deferred compensation plan obligations | 95 | | | 95 |
| Derivatives: | | | | |
| Interest rate related and other | | 1 | | 1 |
| Interest rate swaps for customers | | 36 | | 36 |
| Foreign currency exchange contracts | 2 | | | 2 |
| Total Liabilities | $ 182 | $ 37 | $ — | $ 219 |

| *(In millions)* | December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **ASSETS** | | | | |
| Investment securities: | | | | |
| Available-for-sale: | | | | |
| U.S. Treasury, agencies and corporations | $ 25 | $ 13,706 | $ — | $ 13,731 |
| Municipal securities | | 1,334 | | 1,334 |
| Other debt securities | | 24 | | 24 |
| Money market mutual funds and other | 71 | 1 | | 72 |
| Total Available-for-sale | 96 | 15,065 | — | 15,161 |
| Trading account | | 148 | | 148 |
| Other noninterest-bearing investments: | | | | |
| Bank-owned life insurance | | 507 | | 507 |
| Private equity investments | | | 95 | 95 |
| Other assets: | | | | |
| Agriculture loan servicing and interest-only strips | | | 18 | 18 |
| Deferred compensation plan assets | 102 | | | 102 |
| Derivatives: | | | | |
| Interest rate related and other | | 1 | | 1 |
| Interest rate swaps for customers | | 28 | | 28 |
| Foreign currency exchange contracts | 9 | | | 9 |
| Total Assets | $ 207 | $ 15,749 | $ 113 | $ 16,069 |
| **LIABILITIES** | | | | |
| Securities sold, not yet purchased | $ 95 | $ — | $ — | $ 95 |
| Other liabilities: | | | | |
| Deferred compensation plan obligations | 102 | | | 102 |
| Derivatives: | | | | |
| Interest rate swaps for customers | | 33 | | 33 |
| Foreign currency exchange contracts | 7 | | | 7 |
| Total Liabilities | $ 204 | $ 33 | $ — | $ 237 |

*Reconciliation of Level 3 Fair Value Measurements*

The following reconciles the beginning and ending balances of assets and liabilities that are measured at fair value by class on a recurring basis using Level 3 inputs:

| | Level 3 Instruments | | | |
|---|---|---|---|---|
| | December 31, 2018 | | December 31, 2017 | |
| *(In millions)* | Private equity investments | Ag loan svcg and int-only strips | Private equity investments | Ag loan svcg and int-only strips |
| Balance at beginning of year | $ 95 | $ 18 | $ 73 | $ 20 |
| Securities gains, net | 2 | — | 7 | — |
| Other noninterest income | — | 1 | — | (1) |
| Purchases | 11 | — | 20 | — |
| Redemptions and paydowns | (6) | (1) | (5) | (1) |
| Balance at end of year | $ 102 | $ 18 | $ 95 | $ 18 |

No transfers of assets or liabilities occurred among Levels 1, 2 or 3 for 2018 and 2017.

The reconciliation of Level 3 instruments includes the following realized gains and losses in the statement of income:

| *(In millions)* | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| Securities gains (losses), net | $ (1) | $ 3 |

*Nonrecurring Fair Value Measurements*

Included in the balance sheet amounts are the following amounts of assets that had fair value changes measured on a nonrecurring basis:

| *(In millions)* | Fair value at December 31, 2018 | | | | Gains (losses) from fair value changes Year Ended December 31, 2018 |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| ASSETS | | | | | |
| Private equity investments, carried at cost | $ — | $ — | $ 1 | $ 1 | $ — |
| Impaired loans | — | 32 | — | 32 | (13) |
| Other real estate owned | — | — | — | — | (1) |
| Total | $ — | $ 32 | $ 1 | $ 33 | $ (14) |

| *(In millions)* | Fair value at December 31, 2017 | | | | Gains (losses) from fair value changes Year Ended December 31, 2017 |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| ASSETS | | | | | |
| Private equity investments, carried at cost | $ — | $ — | $ 1 | $ 1 | $ (1) |
| Impaired loans | — | 9 | — | 9 | (5) |
| Other real estate owned | — | — | — | — | — |
| Total | $ — | $ 9 | $ 1 | $ 10 | $ (6) |

The previous fair values may not be current as of the dates indicated, but rather as of the date the fair value change occurred, such as a charge for impairment. Accordingly, carrying values may not equal current fair value.

We recognized net gains of $1 million in 2018 and $2 million in 2017 from the sale of OREO properties that had a carrying value at the time of sale of approximately $4 million in 2018 and $6 million in 2017. Previous to their sale in these years, we recognized an insignificant amount of impairment on these properties in 2018 and 2017.

PEIs carried at cost were measured at fair value for impairment purposes according to the methodology previously discussed for these investments. Amounts of PEIs carried at cost were $10 million at both December 31, 2018 and 2017. Amounts of other noninterest-bearing investments carried at cost were $329 million and $338 million at December 31, 2018 and 2017, respectively, which were comprised of Federal Reserve and Federal Home Loan Bank (“FHLB”) stock. PEIs accounted for using the equity method were $35 million and $36 million at December 31, 2018 and 2017, respectively.

Impaired (or nonperforming) loans that are collateral-dependent were measured at fair value based on the fair value of the collateral. OREO was measured initially at fair value based on collateral appraisals at the time of transfer and subsequently at the lower of cost or fair value.

Measurement of fair value for collateral-dependent loans and OREO was based on third party appraisals that utilize one or more valuation techniques (income, market and/or cost approaches). Any adjustments to calculated fair value were made based on recently completed and validated third party appraisals, third party appraisal services, automated valuation services, or our informed judgment. Evaluations were made to determine that the appraisal process met the relevant concepts and requirements of applicable accounting guidance.

Automated valuation services may be used primarily for residential properties when values from any of the previous methods were not available within 90 days of the balance sheet date. These services use models based on market, economic, and demographic values. The use of these models has only occurred in a very few instances and the related property valuations have not been sufficiently significant to consider disclosure under Level 3 rather than Level 2.

Impaired loans that are not collateral-dependent were measured based on the present value of future cash flows discounted at the expected coupon rates over the lives of the loans. Because the loans were not discounted at market interest rates, the valuations do not represent fair value and have been excluded from the nonrecurring fair value balance in the preceding schedules.

### *Fair Value of Certain Financial Instruments*

Following is a summary of the carrying values and estimated fair values of certain financial instruments:

| *(In millions)* | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Carrying value | Estimated fair value | Level | Carrying value | Estimated fair value | Level |
| Financial assets: | | | | | | |
| Held-to-maturity investment securities | $ 774 | $ 767 | 2 | $ 770 | $ 762 | 2 |
| Loans and leases (including loans held for sale), net of allowance | 46,312 | 45,251 | 3 | 44,306 | 44,226 | 3 |
| Financial liabilities: | | | | | | |
| Time deposits | 4,336 | 4,319 | 2 | 3,115 | 3,099 | 2 |
| Long-term debt | 724 | 727 | 2 | 383 | 402 | 2 |

This summary excludes financial assets and liabilities for which carrying value approximates fair value and financial instruments that are recorded at fair value on a recurring basis. Financial instruments for which carrying values approximate fair value include cash and due from banks, money market investments, demand, savings and money market deposits, federal funds purchased and other short-term borrowings, 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. Time and foreign deposits, and any other short-term borrowings, are measured at fair value by discounting future cash flows using the LIBOR yield curve to the given maturity dates. Long-term debt is measured at fair value based on actual market trades (i.e., an asset value) when available, or discounting cash flows to maturity using the LIBOR yield curve adjusted for credit spreads. The methods used to measure fair value for HTM securities and loans were previously described in this footnote.

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 current economic conditions, future expected loss experience, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and cannot be determined with precision. Changes in these methodologies and assumptions could significantly affect the estimates.

## 4. OFFSETTING ASSETS AND LIABILITIES

Gross and net information for selected financial instruments in the balance sheet is as follows:

| *(In millions)* | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Gross amounts not offset in the balance sheet | | |
| Description | Gross amounts recognized | Gross amounts offset in the balance sheet | Net amounts presented in the balance sheet | Financial instruments | Cash collateral received/pledged | Net amount |
| Assets: | | | | | | |
| Federal funds sold and security resell agreements | $ 1,461 | $ — | $ 1,461 | $ — | $ — | $ 1,461 |
| Derivatives (included in other assets) | 45 | — | 45 | (35) | (3) | 7 |
| Total assets | $ 1,506 | $ — | $ 1,506 | $ (35) | $ (3) | $ 1,468 |
| Liabilities: | | | | | | |
| Federal funds and other short-term borrowings | $ 5,653 | $ — | $ 5,653 | $ — | $ — | $ 5,653 |
| Derivatives (included in other liabilities) | 39 | — | 39 | (35) | (1) | 3 |
| Total liabilities | $ 5,692 | $ — | $ 5,692 | $ (35) | $ (1) | $ 5,656 |

| *(In millions)* | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Gross amounts not offset in the balance sheet | | |
| Description | Gross amounts recognized | Gross amounts offset in the balance sheet | Net amounts presented in the balance sheet | Financial instruments | Cash collateral received/pledged | Net amount |
| Assets: | | | | | | |
| Federal funds sold and security resell agreements | $ 809 | $ (295) | $ 514 | $ — | $ — | $ 514 |
| Derivatives (included in other assets) | 38 | — | 38 | (9) | (1) | 28 |
| Total assets | $ 847 | $ (295) | $ 552 | $ (9) | $ (1) | $ 542 |
| Liabilities: | | | | | | |
| Federal funds and other short-term borrowings | $ 5,271 | $ (295) | $ 4,976 | $ — | $ — | $ 4,976 |
| Derivatives (included in other liabilities) | 40 | — | 40 | (9) | (6) | 25 |
| Total liabilities | $ 5,311 | $ (295) | $ 5,016 | $ (9) | $ (6) | $ 5,001 |

Security repurchase and reverse repurchase (“resell”) agreements are offset, when applicable, in the balance sheet according to master netting agreements. Security repurchase agreements are included with “Federal funds and other short-term borrowings.” Derivative instruments may be offset under their master netting agreements; however, for accounting purposes, we present these items on a gross basis in the Bank’s balance sheet. See Note 7 for further information regarding derivative instruments.

## 5. INVESTMENTS

### Investment Securities

Securities are classified as HTM, AFS or trading. HTM securities, which management has the intent and ability to hold until maturity, are carried at amortized cost. AFS securities are carried at fair value and unrealized gains and losses are reported as net increases or decreases to accumulated other comprehensive income (“AOCI”). Realized gains and losses on AFS securities are determined by using the cost basis of each individual security. Trading securities are carried at fair value with gains and losses recognized in current period earnings. The purchase premiums for callable debt securities classified as held-to-maturity HTM or AFS are amortized at a constant

effective yield to the earliest call date. The purchase premiums and discounts for all other HTM and AFS securities are amortized and accreted at a constant effective yield to the contractual maturity date and no assumption is made concerning prepayments. As principal prepayments occur, the portion of the unamortized premium or discount associated with the principal reduction is recognized in interest income in the period the principal is reduced. Note 3 discusses the process to estimate fair value for investment securities. The purchase premiums for callable debt securities classified as HTM or AFS are amortized at a constant effective yield to the earliest call date.

| *(In millions)* | December 31, 2018 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |

| | | | | |
|---|---|---|---|---|
| **Held-to-maturity** | | | | |
| Municipal securities | $ 774 | $ 4 | $ 11 | $ 767 |
| **Available-for-sale** | | | | |
| U.S. Treasury securities | 40 | — | — | 40 |
| U.S. Government agencies and corporations: | | | | |
| Agency securities | 1,394 | — | 19 | 1,375 |
| Agency guaranteed mortgage-backed securities | 10,236 | 18 | 240 | 10,014 |
| Small Business Administration loan-backed securities | 2,042 | 1 | 47 | 1,996 |
| Municipal securities | 1,303 | 4 | 16 | 1,291 |
| Other debt securities | 25 | — | 4 | 21 |
| Total available-for-sale debt securities | 15,040 | 23 | 326 | 14,737 |
| Money market mutual funds and other | — | — | — | — |
| Total available-for-sale | 15,040 | 23 | 326 | 14,737 |
| Total investment securities | $ 15,814 | $ 27 | $ 337 | $ 15,504 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| *(In millions)* | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| **Held-to-maturity** | | | | |
| Municipal securities | $ 770 | $ 5 | $ 13 | $ 762 |
| **Available-for-sale** | | | | |
| U.S. Treasury securities | 25 | — | — | 25 |
| U.S. Government agencies and corporations: | | | | |
| Agency securities | 1,830 | 1 | 13 | 1,818 |
| Agency guaranteed mortgage-backed securities | 9,798 | 9 | 141 | 9,666 |
| Small Business Administration loan-backed securities | 2,227 | 10 | 15 | 2,222 |
| Municipal securities | 1,336 | 9 | 11 | 1,334 |
| Other debt securities | 25 | — | 1 | 24 |
| Total available-for-sale debt securities | 15,241 | 29 | 181 | 15,089 |
| Money market mutual funds and other | 72 | — | — | 72 |
| Total available-for-sale | 15,313 | 29 | 181 | 15,161 |
| Total investment securities | $ 16,083 | $ 34 | $ 194 | $ 15,923 |

*Maturities*

The amortized cost and estimated fair value of investment debt securities are shown subsequently as of December 31, 2018 by expected timing of principal payments. Actual principal payments may differ from contractual or expected principal payments because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| (In millions) | Held-to-maturity | | Available-for-sale | |
|---|---|---|---|---|
| | Amortized cost | Estimated fair value | Amortized cost | Estimated fair value |
| Due in one year or less | $ 242 | $ 242 | $ 1,955 | $ 1,916 |
| Due after one year through five years | 344 | 341 | 5,806 | 5,690 |
| Due after five years through ten years | 135 | 133 | 4,608 | 4,520 |
| Due after ten years | 53 | 51 | 2,671 | 2,611 |
| Total | $ 774 | $ 767 | $ 15,040 | $ 14,737 |

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 millions) | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 1 | $ 86 | $ 10 | $ 438 | $ 11 | $ 524 |
| **Available-for-sale** | | | | | | |
| U.S. Government agencies and corporations: | | | | | | |
| Agency securities | 2 | 245 | 17 | 913 | 19 | 1,158 |
| Agency guaranteed mortgage-backed securities | 16 | 1,081 | 224 | 6,661 | 240 | 7,742 |
| Small Business Administration loan-backed securities | 19 | 1,180 | 28 | 711 | 47 | 1,891 |
| Municipal securities | 2 | 266 | 14 | 641 | 16 | 907 |
| Other | — | — | 4 | 11 | 4 | 11 |
| Total available-for-sale | 39 | 2,772 | 287 | 8,937 | 326 | 11,709 |
| Total | $ 40 | $ 2,858 | $ 297 | $ 9,375 | $ 337 | $ 12,233 |

| (In millions) | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | 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 | $ 3 | $ 263 | $ 10 | $ 292 | $ 13 | $ 555 |
| **Available-for-sale** | | | | | | |
| U.S. Government agencies and corporations: | | | | | | |
| Agency securities | 6 | 808 | 7 | 808 | 13 | 1,616 |
| Agency guaranteed mortgage-backed securities | 29 | 3,609 | 112 | 4,721 | 141 | 8,330 |
| Small Business Administration loan-backed securities | 3 | 408 | 12 | 649 | 15 | 1,057 |
| Municipal securities | 6 | 554 | 5 | 230 | 11 | 784 |
| Other | — | — | 1 | 14 | 1 | 14 |
| Total available-for-sale | 44 | 5,379 | 137 | 6,422 | 181 | 11,801 |
| Total | $ 47 | $ 5,642 | $ 147 | $ 6,714 | $ 194 | $ 12,356 |

At December 31, 2018 and 2017, respectively, 606 and 667 HTM and 2,588 and 2,262 AFS investment securities were in an unrealized loss position.

### *Other-Than-Temporary Impairment*

*Ongoing Policy*

We review investment securities on a quarterly basis for the presence of OTTI. 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. When we do not expect to recover the entire amortized cost basis of a security then the decline in fair value is considered to be other-

than-temporary. OTTI is considered to have occurred for debt securities in unrealized loss positions if we have formed a documented intent to sell identified securities or initiated such sales or it is “more likely than not” we will be required to sell the security before recovery of its amortized cost basis. In these scenarios the impairment loss is equal to the full difference between the amortized cost basis and the fair value of the securities. For debt securities in an unrealized loss position that we have the intent and ability to hold, the expected cash flows to be received from the securities are evaluated to determine if a credit loss exists. In the event of a credit loss, only the amount of the impairment associated with the credit loss is recognized in income. Unrealized losses relating to factors other than credit losses are recorded in OCI.

Our OTTI evaluation process takes into consideration current market conditions; fair value in relationship to cost; extent and nature of change in fair value; severity and duration of the impairment; recent events specific to the issuer or industry; our assessment of the creditworthiness of the issuer, including external credit ratings, changes, recent downgrades, and trends; the cash flow priority position of the instrument that we hold in the case of structured securities; volatility of earnings and trends; current analysts’ evaluations; all available information relevant to the collectability of debt securities; and other key measures. In addition, for AFS securities with fair values below amortized cost, we must determine if we intend to sell the securities or if it is more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. For HTM securities, we must determine we have the ability to hold the securities to maturity. We consider any other relevant factors before concluding our evaluation for the existence of OTTI in our securities portfolio.

*Other-Than-Temporary Impairment Conclusions*

The Bank did not recognize any OTTI on its investment securities portfolio during 2018. Unrealized losses relate to changes in interest rates subsequent to purchase and are not attributable to credit. At December 31, 2018, we did not have an intent to sell identified securities with unrealized losses or initiate such sales, and we believe it is not more likely than not we would be required to sell such securities before recovery of their amortized cost basis.

To determine the credit component of OTTI for all security types, we utilize projected cash flows. These cash flows are credit adjusted using, among other things, assumptions for default probability and loss severity. Certain other unobservable inputs such as prepayment rate assumptions are also utilized. In addition, certain internal models may be utilized. See Note 3 for further discussion. To determine the credit-related portion of OTTI in accordance with applicable accounting guidance, we use the security specific effective interest rate when estimating the present value of cash flows.

***Securities gains and losses recognized in income***

The following summarizes gains and losses that were recognized in the statement of income:

| *(In millions)* | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|
| | Gross gains | Gross losses | Gross gains | Gross losses | Gross gains | Gross losses |
| Investment securities: | | | | | | |
| Other noninterest-bearing investments | 17 | 16 | 22 | 8 | 21 | 14 |
| Net gains | | $ 1 | | $ 14 | | $ 7 |

Interest income by security type is as follows:

| *(In millions)* | 2018 | | | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Taxable | Nontaxable | Total | Taxable | Nontaxable | Total | Taxable | Nontaxable | Total |
| Investment securities: | | | | | | | | | |
| Held-to-maturity | $ 10 | $ 14 | $ 24 | $ 10 | $ 13 | $ 23 | $ 10 | $ 13 | $ 23 |
| Available-for-sale | 295 | 26 | 321 | 277 | 24 | 301 | 166 | 12 | 178 |
| Trading | 5 | — | 5 | 2 | — | 2 | 3 | — | 3 |
| Total | $ 310 | $ 40 | $ 350 | $ 289 | $ 37 | $ 326 | $ 179 | $ 25 | $ 204 |

Investment securities with a carrying value of approximately $2.6 billion and $2.1 billion at December 31, 2018 and 2017, 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.

## Private Equity Investments

*Effect of Volcker Rule*

The Bank's PEIs are subject to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The Volcker Rule of the Dodd-Frank Act prohibits banks from holding PEIs, except for SBIC funds and certain other permitted exclusions, beyond a required deadline. The Federal Reserve Board ("FRB") announced in December 2016 that it would allow banks to apply for an additional five-year extension beyond the July 21, 2017 deadline to comply with the Dodd-Frank Act requirement for these investments. The Bank applied for and was granted an extension for its eligible PEIs. All positions in the remaining portfolio of PEIs are subject to the extended deadline or other applicable exclusions.

Of the recorded PEIs of $147 million at December 31, 2018, approximately $3 million remain prohibited by the Volcker Rule. At December 31, 2018, we have $30 million of unfunded commitments for PEIs, of which approximately $2 million relate to prohibited PEIs. We currently do not believe that this divestiture requirement will ultimately have a material impact on our financial statements. See other discussions related to PEIs in Note 3.

## 6. LOANS AND ALLOWANCE FOR CREDIT LOSSES

### *Loans and Loans Held for Sale*

Loans are summarized as follows according to major portfolio segment and specific loan class:

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Loans held for sale | $ 93 | $ 44 |
| Commercial: | | |
| Commercial and industrial | $ 14,513 | $ 14,003 |
| Leasing | 327 | 364 |
| Owner-occupied | 7,661 | 7,288 |
| Municipal | 1,661 | 1,271 |
| Total commercial | 24,162 | 22,926 |
| Commercial real estate: | | |
| Construction and land development | 2,186 | 2,021 |
| Term | 8,939 | 9,103 |
| Total commercial real estate | 11,125 | 11,124 |
| Consumer: | | |
| Home equity credit line | 2,937 | 2,777 |
| 1-4 family residential | 7,176 | 6,662 |
| Construction and other consumer real estate | 643 | 597 |
| Bankcard and other revolving plans | 491 | 509 |
| Other | 180 | 185 |
| Total consumer | 11,427 | 10,730 |
| Total loans [1] | $ 46,714 | $ 44,780 |

[1]*Loans are presented net of unearned income, unamortized purchase premiums and discounts, and net deferred loan fees and costs totaling $50 million and $43 million at December 31, 2018 and December 31, 2017, respectively.*

Municipal loans generally include loans to municipalities with the debt service being repaid from general funds or pledged revenues of the municipal entity, or to private commercial entities or 501(c)(3) not-for-profit entities utilizing a pass-through municipal entity to achieve favorable tax treatment.

Land development loans included in the construction and land development loan class were $221 million at December 31, 2018, and $220 million at December 31, 2017.

Loans with a carrying value of approximately $22.6 billion at December 31, 2018 and $25.6 billion at December 31, 2017 have been pledged at the Federal Reserve and the FHLB of Des Moines as collateral for current and potential borrowings.

We sold loans totaling $0.6 billion in 2018, $0.9 billion in 2017, and $1.4 billion in 2016, that were classified as loans held for sale. The sold loans were derecognized from the balance sheet. Loans classified as loans held for sale primarily consist of conforming residential mortgages and the guaranteed portion of SBA loans. The loans are mainly sold to U.S. government agencies or participated to third parties. At times, we have continuing involvement in the transferred loans in the form of servicing rights or a guarantee from the respective issuer. Amounts added to loans held for sale during these same periods were $0.8 billion, $0.8 billion, and $1.4 billion, respectively.

The principal balance of sold loans for which we retain servicing was approximately $2.2 billion at December 31, 2018, $2.2 billion at December 31, 2017, and $2.0 billion at December 31, 2016. Income from loans sold, excluding servicing, was $12 million in 2018, $13 million in 2017, and $18 million in 2016.

***Allowance for Credit Losses***

The allowance for credit losses ("ACL") consists of the allowance for loan and lease losses ("ALLL") and the reserve for unfunded lending commitments ("RULC").

*Allowance for Loan and Lease Losses*

The ALLL represents our estimate of probable and estimable losses inherent in the loan and lease portfolio as of the balance sheet date. Losses are charged to the ALLL when recognized. Generally, commercial and commercial real estate ("CRE") loans are charged off or charged down when they are determined to be uncollectible in whole or in part, or when 180 days past due, unless the loan is well secured and in process of collection. Consumer loans are either charged off or charged down to net realizable value no later than the month in which they become 180 days past due. Closed-end consumer loans that are not secured by residential real estate are either charged off or charged down to net realizable value no later than the month in which they become 120 days past due. We establish the amount of the ALLL by analyzing the portfolio at least quarterly, and we adjust the provision for loan losses so the ALLL is at an appropriate level at the balance sheet date.

We determine our ALLL as the best estimate within a range of estimated losses. The methodologies we use to estimate the ALLL depend upon the impairment status and loan portfolio. The methodology for impaired loans is discussed subsequently. For commercial and CRE loans with commitments greater than $1 million, we assign internal risk grades using a comprehensive loan grading system based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. The credit quality indicators discussed subsequently are based on this grading system. Estimated losses for these commercial and CRE loans are derived from a statistical analysis of our historical default and loss given default experience over the period of January 2008 through the most recent full quarter.

For consumer and small commercial and CRE loans with commitments less than or equal to $1 million, we primarily use roll rate models to forecast probable inherent losses. Roll rate models measure the rate at which these loans migrate from one delinquency category to the next worse delinquency category, and eventually to loss. We estimate roll rates for these loans using recent delinquency and loss experience by segmenting our loan portfolios into separate pools based on common risk characteristics and separately calculating historical delinquency and loss experience for each pool. These roll rates are then applied to current delinquency levels to estimate probable inherent losses.

The current status and historical changes in qualitative and environmental factors may not be reflected in our quantitative models. Thus, after applying historical loss experience, as described above, we review the quantitatively derived level of ALLL for each segment using qualitative criteria, and use those criteria to determine

our qualitative estimate. We monitor various risk factors that influence our judgment regarding the level of the ALLL across the portfolio segments. These factors primarily include:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;
- Changes in international, national, regional, and local economic and business conditions;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability, and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentration of credit, and changes in the level of such concentrations;
- The effect of other external factors such as competition and legal and regulatory requirements;

The magnitude of the impact of these factors on our qualitative assessment of the ALLL changes from quarter to quarter according to changes made by management in its assessment of these factors, the extent these factors are already reflected in historical loss rates, and the extent changes in these factors diverge from one to another. We also consider the uncertainty inherent in the estimation process when evaluating the ALLL.

*Reserve for Unfunded Lending Commitments*

The RULC represents our estimated reserve for potential losses associated with off-balance sheet commitments, including standby letters of credit. We estimate the RULC using the same procedures and methodologies that we use for the ALLL. The loss factors and qualitative adjustments used in the RULC are the same as the loss factors and qualitative adjustments used in the ALLL. We adjust the Bank's unfunded lending commitments that are not unconditionally cancelable to an outstanding amount equivalent using credit conversion factors, and we apply the loss factors to the outstanding equivalents.

Changes in the allowance for credit losses are summarized as follows:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| *(In millions)* | Commercial | Commercial real estate | Consumer | Total |
| **Allowance for loan losses** | | | | |
| Balance at beginning of year | $ 371 | $ 103 | $ 44 | $ 518 |
| Provision for loan losses | (62) | 3 | 20 | (39) |
| Gross loan and lease charge-offs | 46 | 5 | 18 | 69 |
| Recoveries | 68 | 9 | 8 | 85 |
| Net loan and lease charge-offs (recoveries) | (22) | (4) | 10 | (16) |
| Balance at end of year | $ 331 | $ 110 | $ 54 | $ 495 |
| **Reserve for unfunded lending commitments** | | | | |
| Balance at beginning of year | $ 48 | $ 10 | $ — | $ 58 |
| Provision for unfunded lending commitments | (8) | 7 | — | (1) |
| Balance at end of year | $ 40 | $ 17 | $ — | $ 57 |
| **Total allowance for credit losses** | | | | |
| Allowance for loan losses | $ 331 | $ 110 | $ 54 | $ 495 |
| Reserve for unfunded lending commitments | 40 | 17 | — | 57 |
| Total allowance for credit losses | $ 371 | $ 127 | $ 54 | $ 552 |

| *(In millions)* | December 31, 2017 | | | |
|---|---|---|---|---|
| | Commercial | Commercial real estate | Consumer | Total |
| **Allowance for loan losses** | | | | |
| Balance at beginning of year | $ 420 | $ 116 | $ 31 | $ 567 |
| Provision for loan losses | 23 | (18) | 19 | 24 |
| Gross loan and lease charge-offs | 118 | 9 | 17 | 144 |
| Recoveries | 46 | 14 | 11 | 71 |
| Net loan and lease charge-offs (recoveries) | 72 | (5) | 6 | 73 |
| Balance at end of year | $ 371 | $ 103 | $ 44 | $ 518 |
| **Reserve for unfunded lending commitments** | | | | |
| Balance at beginning of year | $ 54 | $ 11 | $ — | $ 65 |
| Provision for unfunded lending commitments | (6) | (1) | — | (7) |
| Balance at end of year | $ 48 | $ 10 | $ — | $ 58 |
| **Total allowance for credit losses** | | | | |
| Allowance for loan losses | $ 371 | $ 103 | $ 44 | $ 518 |
| Reserve for unfunded lending commitments | 48 | 10 | — | 58 |
| Total allowance for credit losses | $ 419 | $ 113 | $ 44 | $ 576 |

The ALLL and outstanding loan balances according to the Bank’s impairment method are summarized as follows:

| *(In millions)* | December 31, 2018 | | | |
|---|---|---|---|---|
| | Commercial | Commercial real estate | Consumer | Total |
| **Allowance for loan losses** | | | | |
| Individually evaluated for impairment | $ 6 | $ 1 | $ 2 | $ 9 |
| Collectively evaluated for impairment | 325 | 109 | 52 | 486 |
| Purchased loans with evidence of credit deterioration | — | — | — | — |
| Total | $ 331 | $ 110 | $ 54 | $ 495 |
| **Outstanding loan balances** | | | | |
| Individually evaluated for impairment | $ 164 | $ 55 | $ 72 | $ 291 |
| Collectively evaluated for impairment | 23,998 | 11,070 | 11,355 | 46,423 |
| Purchased loans with evidence of credit deterioration | — | — | — | — |
| Total | $ 24,162 | $ 11,125 | $ 11,427 | $ 46,714 |

| *(In millions)* | December 31, 2017 | | | |
|---|---|---|---|---|
| | Commercial | Commercial real estate | Consumer | Total |
| **Allowance for loan losses** | | | | |
| Individually evaluated for impairment | $ 26 | $ 1 | $ 4 | $ 31 |
| Collectively evaluated for impairment | 345 | 102 | 40 | 487 |
| Purchased loans with evidence of credit deterioration | — | — | — | — |
| Total | $ 371 | $ 103 | $ 44 | $ 518 |
| **Outstanding loan balances** | | | | |
| Individually evaluated for impairment | $ 314 | $ 69 | $ 76 | $ 459 |
| Collectively evaluated for impairment | 22,598 | 11,048 | 10,648 | 44,294 |
| Purchased loans with evidence of credit deterioration | 14 | 7 | 6 | 27 |
| Total | $ 22,926 | $ 11,124 | $ 10,730 | $ 44,780 |

***Nonaccrual and Past Due Loans***

Loans are generally placed on nonaccrual status when payment in full of principal and interest is not expected, or the loan is 90 days or more past due as to principal or interest, unless the loan is both well secured and in the process of collection. Factors we consider in determining whether a loan is placed on nonaccrual include delinquency status, collateral-value, borrower or guarantor financial statement information, bankruptcy status, and other information which would indicate that the full and timely collection of interest and principal is uncertain.

A nonaccrual loan may be returned to accrual status when all delinquent interest and principal become current in accordance with the terms of the loan agreement; the loan, if secured, is well secured; the borrower has paid according to the contractual terms for a minimum of six months; and analysis of the borrower indicates a reasonable assurance of the ability and willingness to maintain payments. Payments received on nonaccrual loans are applied as a reduction to the principal outstanding.

Closed-end loans with payments scheduled monthly are reported as past due when the borrower is in arrears for two or more monthly payments. Similarly, open-end credits, such as charge-card plans and other revolving credit plans, are reported as past due when the minimum payment has not been made for two or more billing cycles. Other multi-payment obligations (i.e., quarterly, semiannual, etc.), single payment, and demand notes, are reported as past due when either principal or interest is due and unpaid for a period of 30 days or more.

Nonaccrual loans are summarized as follows:

| | **December 31,** | |
|---|---|---|
| ***(In millions)*** | **2018** | **2017** |
| Loans held for sale | $ 6 | $ 12 |
| Commercial: | | |
| Commercial and industrial | $ 82 | $ 195 |
| Leasing | 2 | 8 |
| Owner-occupied | 67 | 90 |
| Municipal | 1 | 1 |
| Total commercial | 152 | 294 |
| Commercial real estate: | | |
| Construction and land development | — | 4 |
| Term | 38 | 36 |
| Total commercial real estate | 38 | 40 |
| Consumer: | | |
| Home equity credit line | 13 | 13 |
| 1-4 family residential | 42 | 55 |
| Construction and other consumer real estate | — | — |
| Bankcard and other revolving plans | 1 | — |
| Other | — | — |
| Total consumer loans | 56 | 68 |
| Total | $ 246 | $ 402 |

Past due loans (accruing and nonaccruing) are summarized as follows:

| | December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions)* | Current | 30-89 days past due | 90+ days past due | Total past due | Total loans | Accruing loans 90+ days past due | Nonaccrual loans that are current[1] |
| Loans held for sale | $ 89 | $ — | $ 4 | $ 4 | $ 93 | $ — | $ 2 |
| Commercial: | | | | | | | |
| Commercial and industrial | $ 14,445 | $ 37 | $ 31 | $ 68 | $ 14,513 | $ 4 | $ 46 |
| Leasing | 325 | 1 | 1 | 2 | 327 | — | 1 |
| Owner-occupied | 7,621 | 23 | 17 | 40 | 7,661 | 3 | 48 |
| Municipal | 1,661 | — | — | — | 1,661 | — | 1 |
| Total commercial | 24,052 | 61 | 49 | 110 | 24,162 | 7 | 96 |
| Commercial real estate: | | | | | | | |
| Construction and land development | 2,185 | 1 | — | 1 | 2,186 | — | — |
| Term | 8,924 | 4 | 11 | 15 | 8,939 | 1 | 26 |
| Total commercial real estate | 11,109 | 5 | 11 | 16 | 11,125 | 1 | 26 |
| Consumer: | | | | | | | |
| Home equity credit line | 2,927 | 4 | 6 | 10 | 2,937 | — | 4 |
| 1-4 family residential | 7,143 | 15 | 18 | 33 | 7,176 | — | 19 |
| Construction and other consumer real estate | 642 | 1 | — | 1 | 643 | — | — |
| Bankcard and other revolving plans | 487 | 2 | 2 | 4 | 491 | 2 | — |
| Other | 179 | 1 | — | 1 | 180 | — | — |
| Total consumer loans | 11,378 | 23 | 26 | 49 | 11,427 | 2 | 23 |
| Total | $ 46,539 | $ 89 | $ 86 | $ 175 | $ 46,714 | $ 10 | $ 145 |

| | December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(In millions)* | Current | 30-89 days past due | 90+ days past due | Total past due | Total loans | Accruing loans 90+ days past due | Nonaccrual loans that are current[1] |
| Loans held for sale | $ 44 | $ — | $ — | $ — | $ 44 | $ — | $ 12 |
| Commercial: | | | | | | | |
| Commercial and industrial | $ 13,887 | $ 60 | $ 56 | $ 116 | $ 14,003 | $ 13 | $ 146 |
| Leasing | 363 | 1 | — | 1 | 364 | — | 8 |
| Owner-occupied | 7,219 | 29 | 40 | 69 | 7,288 | 4 | 49 |
| Municipal | 1,271 | — | — | — | 1,271 | — | 1 |
| Total commercial | 22,740 | 90 | 96 | 186 | 22,926 | 17 | 204 |
| Commercial real estate: | | | | | | | |
| Construction and land development | 2,014 | 3 | 4 | 7 | 2,021 | — | — |
| Term | 9,079 | 13 | 11 | 24 | 9,103 | 2 | 25 |
| Total commercial real estate | 11,093 | 16 | 15 | 31 | 11,124 | 2 | 25 |
| Consumer: | | | | | | | |
| Home equity credit line | 2,763 | 9 | 5 | 14 | 2,777 | — | 5 |
| 1-4 family residential | 6,621 | 16 | 25 | 41 | 6,662 | 1 | 27 |
| Construction and other consumer real estate | 590 | 6 | 1 | 7 | 597 | 1 | — |
| Bankcard and other revolving plans | 506 | 2 | 1 | 3 | 509 | 1 | — |
| Other | 184 | 1 | — | 1 | 185 | — | — |
| Total consumer loans | 10,664 | 34 | 32 | 66 | 10,730 | 3 | 32 |
| Total | $ 44,497 | $ 140 | $ 143 | $ 283 | $ 44,780 | $ 22 | $ 261 |

1 *Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.*

***Credit Quality Indicators***

In addition to the past due and nonaccrual criteria, we also analyze loans using loan risk-grading systems, which vary based on the size and type of credit risk exposure. The internal risk grades assigned to loans follow our definitions of Pass, Special Mention, Substandard, and Doubtful, which are consistent with published definitions of regulatory risk classifications.

Definitions of Pass, Special Mention, Substandard, and Doubtful are summarized as follows:

*Pass* – A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered low.

*Special Mention* – A Special Mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date.

*Substandard* – A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well-defined weaknesses and are characterized by the distinct possibility that the Bank may sustain some loss if deficiencies are not corrected.

*Doubtful* – A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable and improbable.

We generally assign internal risk grades to commercial and CRE loans with commitments greater than $1 million based on financial and statistical models, individual credit analysis, and loan officer experience and judgment. For these larger loans, we assign one of multiple grades within the Pass classification or one of the following four grades: Special Mention, Substandard, Doubtful, and Loss. Loss indicates that the outstanding balance has been charged off. We confirm our internal risk grades quarterly, or as soon as we identify information that affects the credit risk of the loan.

For consumer loans and certain small commercial and CRE loans with commitments less than or equal to $1 million, we generally assign internal risk grades similar to those described previously based on automated rules that depend on refreshed credit scores, payment performance, and other risk indicators. These are generally assigned either a Pass or Substandard grade and are reviewed as we identify information that might warrant a grade change.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality classifications are summarized as follows:

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| *(In millions)* | Pass | Special mention | Sub-standard | Doubtful | Total loans | Total allowance |
| Commercial: | | | | | | |
| Commercial and industrial | $ 13,891 | $ 322 | $ 300 | $ — | $ 14,513 | |
| Leasing | 313 | 10 | 4 | — | 327 | |
| Owner-occupied | 7,369 | 72 | 220 | — | 7,661 | |
| Municipal | 1,632 | 2 | 27 | — | 1,661 | |
| Total commercial | 23,205 | 406 | 551 | — | 24,162 | $ 331 |
| Commercial real estate: | | | | | | |
| Construction and land development | 2,174 | 11 | 1 | — | 2,186 | |
| Term | 8,853 | 10 | 76 | — | 8,939 | |
| Total commercial real estate | 11,027 | 21 | 77 | — | 11,125 | 110 |
| Consumer: | | | | | | |
| Home equity credit line | 2,920 | — | 17 | — | 2,937 | |
| 1-4 family residential | 7,129 | — | 47 | — | 7,176 | |
| Construction and other consumer real estate | 641 | — | 2 | — | 643 | |
| Bankcard and other revolving plans | 488 | — | 3 | — | 491 | |
| Other | 179 | — | 1 | — | 180 | |
| Total consumer loans | 11,357 | — | 70 | — | 11,427 | 54 |
| Total | $ 45,589 | $ 427 | $ 698 | $ — | $ 46,714 | $ 495 |

| | December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| *(In millions)* | Pass | Special mention | Sub-standard | Doubtful | Total loans | Total allowance |
| Commercial: | | | | | | |
| Commercial and industrial | $ 13,001 | $ 395 | $ 606 | $ 1 | $ 14,003 | |
| Leasing | 342 | 6 | 16 | — | 364 | |
| Owner-occupied | 6,920 | 93 | 275 | — | 7,288 | |
| Municipal | 1,257 | 13 | 1 | — | 1,271 | |
| Total commercial | 21,520 | 507 | 898 | 1 | 22,926 | $ 371 |
| Commercial real estate: | | | | | | |
| Construction and land development | 2,002 | 15 | 4 | — | 2,021 | |
| Term | 8,816 | 138 | 149 | — | 9,103 | |
| Total commercial real estate | 10,818 | 153 | 153 | — | 11,124 | 103 |
| Consumer: | | | | | | |
| Home equity credit line | 2,759 | — | 18 | — | 2,777 | |
| 1-4 family residential | 6,602 | — | 60 | — | 6,662 | |
| Construction and other consumer real estate | 596 | — | 1 | — | 597 | |
| Bankcard and other revolving plans | 507 | — | 2 | — | 509 | |
| Other | 185 | — | — | — | 185 | |
| Total consumer loans | 10,649 | — | 81 | — | 10,730 | 44 |
| Total | $ 42,987 | $ 660 | $ 1,132 | $ 1 | $ 44,780 | $ 518 |

### *Impaired Loans*

Loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. If a nonaccrual loan has a balance greater than $1 million, or if a loan is a TDR, including TDRs that subsequently default, or if the loan is no longer reported as a TDR, we individually evaluate the loan for

impairment and estimate a specific reserve for the loan for all portfolio segments under applicable accounting guidance. Smaller nonaccrual loans are pooled for ALLL estimation purposes.

When a loan is impaired, we estimate a specific reserve for the loan based on the projected present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral. The process of estimating future cash flows also incorporates the same determining factors discussed previously under nonaccrual loans. When we base the impairment amount on the fair value of the loan's underlying collateral, we generally charge-off the portion of the balance that is impaired, such that these loans do not have a specific reserve in the ALLL. Payments received on impaired loans that are accruing are recognized in interest income, according to the contractual loan agreement. Payments received on impaired loans that are on nonaccrual are not recognized in interest income, but are applied as a reduction to the principal outstanding. The amount of interest income recognized on a cash basis during the time the loans were impaired within the years ended December 31, 2018 and 2017 was not significant.

Information on impaired loans individually evaluated is summarized as follows, including the average recorded investment and interest income recognized for the years ended December 31, 2018 and 2017:

| | December 31, 2018 | | | | | Year Ended December 31, 2018 | |
|---|---|---|---|---|---|---|---|
| | | Recorded investment | | | | | |
| *(In millions)* | Unpaid principal balance | with no allowance | with allowance | Total recorded investment | Related allowance | Average recorded investment | Interest income recognized |
| Commercial: | | | | | | | |
| Commercial and industrial | $ 112 | $ 52 | $ 36 | $ 88 | $ 4 | $ 83 | $ — |
| Owner-occupied | 67 | 31 | 29 | 60 | 2 | 47 | 8 |
| Municipal | 1 | 1 | — | 1 | — | 1 | — |
| Total commercial | 180 | 84 | 65 | 149 | 6 | 131 | 8 |
| Commercial real estate: | | | | | | | |
| Construction and land development | 1 | — | — | — | — | 1 | — |
| Term | 44 | 37 | 3 | 40 | — | 41 | 1 |
| Total commercial real estate | 45 | 37 | 3 | 40 | — | 42 | 1 |
| Consumer: | | | | | | | |
| Home equity credit line | 15 | 12 | 2 | 14 | — | 13 | — |
| 1-4 family residential | 69 | 32 | 25 | 57 | 2 | 51 | — |
| Construction and other consumer real estate | 1 | 1 | — | 1 | — | 1 | — |
| Other | — | — | — | — | — | — | — |
| Total consumer loans | 85 | 45 | 27 | 72 | 2 | 65 | — |
| Total | $ 310 | $ 166 | $ 95 | $ 261 | $ 8 | $ 238 | $ 9 |

| (In millions) | December 31, 2017 | | | | | Year Ended December 31, 2017 | |
|---|---|---|---|---|---|---|---|
| | Unpaid principal balance | Recorded investment | | Total recorded investment | Related allowance | Average recorded investment | Interest income recognized |
| | | with no allowance | with allowance | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | $ 293 | $ 80 | $ 142 | $ 222 | $ 24 | $ 289 | $ 6 |
| Owner-occupied | 120 | 79 | 23 | 102 | 2 | 97 | 6 |
| Municipal | 1 | 1 | — | 1 | — | 1 | — |
| Total commercial | 414 | 160 | 165 | 325 | 26 | 387 | 12 |
| Commercial real estate: | | | | | | | |
| Construction and land development | 8 | 4 | 2 | 6 | — | 8 | — |
| Term | 56 | 36 | 12 | 48 | — | 49 | 12 |
| Total commercial real estate | 64 | 40 | 14 | 54 | — | 57 | 12 |
| Consumer: | | | | | | | |
| Home equity credit line | 25 | 13 | 9 | 22 | — | 21 | 1 |
| 1-4 family residential | 67 | 28 | 29 | 57 | 4 | 52 | 1 |
| Construction and other consumer real estate | 2 | 1 | 1 | 2 | — | 2 | — |
| Other | 1 | 1 | — | 1 | — | 1 | 1 |
| Total consumer loans | 95 | 43 | 39 | 82 | 4 | 76 | 3 |
| Total | $ 573 | $ 243 | $ 218 | $ 461 | $ 30 | $ 520 | $ 27 |

### *Modified and Restructured Loans*

Loans may be modified in the normal course of business for competitive reasons or to strengthen the Bank's position. Loan modifications and restructurings may also occur when the borrower experiences financial difficulty and needs temporary or permanent relief from the original contractual terms of the loan. Loans that have been modified to accommodate a borrower who is experiencing financial difficulties, and for which the Bank has granted a concession that it would not otherwise consider, are considered TDRs.

We consider many factors in determining whether to agree to a loan modification involving concessions, and seek a solution that will both minimize potential loss to the Bank and attempt to help the borrower. We evaluate borrowers' current and forecasted future cash flows, their ability and willingness to make current contractual or proposed modified payments, the value of the underlying collateral (if applicable), the possibility of obtaining additional security or guarantees, and the potential costs related to a repossession or foreclosure and the subsequent sale of the collateral.

TDRs are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months, and there is evidence that such payments can and are likely to continue as agreed. Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual at the time of restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan. A TDR loan that specifies an interest rate that at the time of the restructuring is greater than or equal to the rate the Bank is willing to accept for a new loan with comparable risk may not be reported as a TDR or an impaired loan in the calendar years subsequent to the restructuring if it is in compliance with its modified terms.

Selected information on TDRs at year-end that includes the recorded investment on an accruing and nonaccruing basis by loan class and modification type is summarized in the following schedules:

| | December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Recorded investment resulting from the following modification types: | | | | | | |
| *(In millions)* | Interest rate below market | Maturity or term extension | Principal forgiveness | Payment deferral | Other[1] | Multiple modification types[2] | Total |
| **Accruing** | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | $ 2 | $ 4 | $ — | $ — | $ 15 | $ 7 | $ 28 |
| Owner-occupied | 3 | 2 | — | — | 2 | 14 | 21 |
| Total commercial | 5 | 6 | — | — | 17 | 21 | 49 |
| Commercial real estate: | | | | | | | |
| Construction and land development | — | — | — | — | — | — | — |
| Term | 2 | 2 | — | 1 | — | 6 | 11 |
| Total commercial real estate | 2 | 2 | — | 1 | — | 6 | 11 |
| Consumer: | | | | | | | |
| Home equity credit line | — | 1 | 8 | — | — | 3 | 12 |
| 1-4 family residential | 1 | 2 | 6 | 1 | 1 | 28 | 39 |
| Construction and other consumer real estate | — | — | — | — | — | 1 | 1 |
| Total consumer loans | 1 | 3 | 14 | 1 | 1 | 32 | 52 |
| Total accruing | 8 | 11 | 14 | 2 | 18 | 59 | 112 |
| **Nonaccruing** | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | 1 | 6 | — | 1 | 10 | 27 | 45 |
| Owner-occupied | 6 | — | — | 1 | 2 | 5 | 14 |
| Municipal | — | — | — | — | — | 1 | 1 |
| Total commercial | 7 | 6 | — | 2 | 12 | 33 | 60 |
| Commercial real estate: | | | | | | | |
| Construction and land development | — | — | — | — | — | — | — |
| Term | 3 | — | — | 2 | 14 | 1 | 20 |
| Total commercial real estate | 3 | — | — | 2 | 14 | 1 | 20 |
| Consumer: | | | | | | | |
| Home equity credit line | — | — | 1 | — | — | — | 1 |
| 1-4 family residential | — | — | 1 | — | 1 | 7 | 9 |
| Construction and other consumer real estate | — | — | — | — | — | — | — |
| Total consumer loans | — | — | 2 | — | 1 | 7 | 10 |
| Total nonaccruing | 10 | 6 | 2 | 4 | 27 | 41 | 90 |
| Total | $ 18 | $ 17 | $ 16 | $ 6 | $ 45 | $ 100 | $ 202 |

[1] *Includes TDRs that resulted from other modification types including, but not limited to, a legal judgment awarded on different terms, a bankruptcy plan confirmed on different terms, a settlement that includes the delivery of collateral in exchange for debt reduction, etc.*

[2] *Includes TDRs that resulted from a combination of any of the previous modification types.*

| | December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Recorded investment resulting from the following modification types: | | | | | | |
| *(In millions)* | Interest rate below market | Maturity or term extension | Principal forgiveness | Payment deferral | Other[1] | Multiple modification types[2] | Total |
| **Accruing** | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | $ — | $ 2 | $ — | $ — | $ 12 | $ 33 | $ 47 |
| Owner-occupied | 1 | 1 | — | — | 7 | 14 | 23 |
| Total commercial | 1 | 3 | — | — | 19 | 47 | 70 |
| Commercial real estate: | | | | | | | |
| Construction and land development | — | — | — | — | — | 2 | 2 |
| Term | 6 | — | — | 1 | — | 7 | 14 |
| Total commercial real estate | 6 | — | — | 1 | — | 9 | 16 |
| Consumer: | | | | | | | |
| Home equity credit line | — | 2 | 9 | — | 1 | 3 | 15 |
| 1-4 family residential | 1 | — | 6 | 1 | 2 | 26 | 36 |
| Construction and other consumer real estate | — | 1 | — | — | — | 1 | 2 |
| Total consumer loans | 1 | 3 | 15 | 1 | 3 | 30 | 53 |
| Total accruing | 8 | 6 | 15 | 2 | 22 | 86 | 139 |
| **Nonaccruing** | | | | | | | |
| Commercial: | | | | | | | |
| Commercial and industrial | — | 3 | 5 | 2 | 28 | 24 | 62 |
| Owner-occupied | 1 | 2 | — | 1 | 1 | 5 | 10 |
| Municipal | — | 1 | — | — | — | — | 1 |
| Total commercial | 1 | 6 | 5 | 3 | 29 | 29 | 73 |
| Commercial real estate: | | | | | | | |
| Construction and land development | — | — | — | — | — | — | — |
| Term | 2 | — | — | — | — | 3 | 5 |
| Total commercial real estate | 2 | — | — | — | — | 3 | 5 |
| Consumer: | | | | | | | |
| Home equity credit line | — | — | 1 | — | — | — | 1 |
| 1-4 family residential | — | — | 2 | — | 1 | 5 | 8 |
| Construction and other consumer real estate | — | — | — | — | — | — | — |
| Total consumer loans | — | — | 3 | — | 1 | 5 | 9 |
| Total nonaccruing | 3 | 6 | 8 | 3 | 30 | 37 | 87 |
| Total | $ 11 | $ 12 | $ 23 | $ 5 | $ 52 | $ 123 | $ 226 |

[1] *Includes TDRs that resulted from other modification types including, but not limited to, a legal judgment awarded on different terms, a bankruptcy plan confirmed on different terms, a settlement that includes the delivery of collateral in exchange for debt reduction, etc.*

[2] *Includes TDRs that resulted from a combination of any of the previous modification types.*

Unfunded lending commitments on TDRs amounted to approximately $11 million at December 31, 2018 and $22 million at December 31, 2017.

The total recorded investment of all TDRs in which interest rates were modified below market was $88 million at December 31, 2018 and $120 million at December 31, 2017, respectively. These loans are included in the previous schedule in the columns for interest rate below market and multiple modification types.

The net financial impact on interest income due to interest rate modifications below market for accruing TDRs is summarized in the following schedule:

| *(In millions)* | 2018 | 2017 |
|---|---|---|
| Consumer: | | |
| 1-4 family residential | $ (1) | $ (1) |
| Total consumer loans | (1) | (1) |
| Total decrease to interest income [1] | $ (1) | $ (1) |

[1] *Calculated based on the difference between the modified rate and the premodified rate applied to the recorded investment.*

On an ongoing basis, we monitor the performance of all TDRs according to their restructured terms. Subsequent payment default is defined in terms of delinquency, when principal or interest payments are past due 90 days or more for commercial loans, or 60 days or more for consumer loans.

The recorded investment of accruing and nonaccruing TDRs that had a payment default during the period listed below (and are still in default at year-end) and are within 12 months or less of being modified as TDRs is as follows:

| *(In millions)* | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Accruing | Nonaccruing | Total | Accruing | Nonaccruing | Total |
| Commercial: | | | | | | |
| Commercial and industrial | $ — | $ 5 | $ 5 | $ 1 | $ 3 | $ 4 |
| Owner-occupied | — | 1 | 1 | — | 1 | 1 |
| Total commercial | — | 6 | 6 | 1 | 4 | 5 |
| Commercial real estate: | | | | | | |
| Term | — | 2 | 2 | — | — | — |
| Total commercial real estate | — | 2 | 2 | — | — | — |
| Total | $ — | $ 8 | $ 8 | $ 1 | $ 4 | $ 5 |

*Note: Total loans modified as TDRs during the 12 months previous to December 31, 2018 and 2017 were $105 million and $94 million, respectively.*

At December 31, 2018 the amount of foreclosed residential real estate property held by the Bank was $2 million and less than $1 million at December 31, 2017, and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure was approximately $10 million for both periods, respectively.

### *Concentrations of Credit Risk*

Credit risk is the possibility of loss from the failure of a borrower, guarantor, or another obligor to fully perform under the terms of a credit-related contract. Credit risks (whether on- or off-balance sheet) may occur when individual borrowers, groups of borrowers, or counterparties have similar economic characteristics, including industries, geographies, collateral types, sponsors, etc., and are similarly affected by changes in economic or other conditions. Credit risk also includes the loss that would be recognized subsequent to the reporting date if counterparties failed to perform as contracted. See Note 7 for a discussion of counterparty risk associated with the Bank’s derivative transactions.

We perform an ongoing analysis of our loan portfolio to evaluate whether there is any significant exposure to any concentrations of credit risk. Based on this analysis, we believe that the loan portfolio is generally well diversified; however, there are certain significant concentrations in CRE and oil and gas-related lending. Further, we cannot guarantee that we have fully understood or mitigated all risk concentrations or correlated risks. We have adopted and adhere to concentration limits on various types of CRE lending, particularly construction and land development lending, leveraged and enterprise value lending, municipal lending, and oil and gas-related lending. All of these limits are continually monitored and revised as necessary.

## 7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

### *Objectives*

The Bank maintains an overall interest rate risk management strategy that actively incorporates the use of interest rate derivatives including unleveraged interest rate swaps, purchased options, combinations of options, and may include futures and other forward interest rate contracts. The Bank's objective for using derivatives is to manage risks, primarily interest rate risk. The Bank uses derivatives to manage volatility in interest income, interest expense, earnings, and capital by adjusting our interest rate sensitivity to minimize the impact of fluctuations in interest rates. Derivatives are used to stabilize forecasted interest receipts from variable-rate assets and to modify the coupon or the duration of fixed-rate financial assets or liabilities as we consider advisable.

We also provide certain borrowers access to over-the-counter interest rate derivatives by selling interest rate derivatives to our customers, which we generally offset with interest rate derivatives executed with other dealers or central clearing houses. The Bank also provides commercial clients short-term foreign currency spot trades or forward contracts with a maturity of generally 90 days or less that are also largely offset by foreign currency trades with closely mirroring terms executed with other dealer counterparties or central clearing houses.

We apply hedge accounting to certain derivatives executed for risk management purposes as subsequently described in more detail. However, we do not apply hedge accounting to all the derivatives involved in our risk management activities. Derivatives not designated as accounting hedges are not speculative and are used to economically manage our exposure to interest rate movements and other identified risks, including offsetting customer-facing derivatives. These derivatives either do not require the use of hedge accounting for their economic impact to be accurately reflected in our financial statements or they do not meet the strict hedge accounting requirements.

### *Accounting*

We record all derivatives on the Consolidated Balance Sheet at fair value in Other Assets or Other Liabilities regardless of the accounting designation of each derivative. The Bank enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements, or similar agreements, with substantially all derivative counterparties. See Note 4, "Offsetting Assets and Liabilities" for more information. Where legally enforceable, these master netting agreements give the Bank, in the event of default or the triggering of other specified contingent events by the counterparty, the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty. For purposes of the Consolidated Balance Sheet, the Bank does not offset derivative assets and liabilities and cash collateral held with the same counterparty where it has a legally enforceable master netting agreement and reports all derivatives on a gross fair value basis. Note 3 discusses the process to estimate 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 accounting designation. Derivatives used to hedge the exposure to changes in the fair value of assets, liabilities, or firm commitments attributable to interest rates or other eligible risks, 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.

*Fair Value Hedges* - For derivatives designated as fair value hedges, changes in the fair value of the derivative are recognized in earnings together with the change in the fair value of the hedged item due to the risk being hedged. The Bank reports the earnings effect of the hedging instrument in the same Consolidated Income Statement line item in which the earnings effect of the hedged item is reported, generally Interest Income or Expense for hedges of interest rate risk of an interest-bearing financial asset or liability. The amounts from the derivative and hedged item for active fair value hedges and the location where they are recorded are detailed in the schedules below.

We currently have one active fair value hedging strategy that is a hedge of the change in fair value of LIBOR benchmark swap rate component of the contractual coupon cash flows of the Bank's long-term debt. The objective of the hedge is to manage to the interest rate risk associated with changes in the LIBOR benchmark interest rate for $500 million of fixed-rate bonds issued in August of 2018 and subsequently hedged in September 2018. The swap and bonds mature concurrently in August of 2021. All debt basis adjustments from previously designed fair value

hedges were fully amortized prior to 2018. The Bank's existing fair value interest rate hedge is expected to be perfectly effective because the critical terms of the hedging instrument and hedged item match.

*Cash flow hedges* - For derivatives designated and qualifying as cash flow hedges ineffectiveness is not measured or separately disclosed. The entire change in the fair value of the hedging instrument is deferred in OCI until the hedged transaction affects earnings, at which point amounts deferred in OCI are reclassified to earnings and reported in the same income statement line item used to present the earnings effect of the hedged item or forecasted transactions. We use interest rate swaps, options and combination of options in our cash flow hedging strategy to eliminate or reduce the variable cash flows associated primarily with floating-rate commercial loans due to changes in any separately identifiable and reliably measurable contractual interest rate index. The Bank had 23 interest rate swaps designated as cash flow hedges in existence during 2018. Of these 23, six of the swaps matured during the 2018 fiscal year. The Bank has 17 interest rate swaps designated as cash flow hedges as of December 31, 2018. These swaps have an aggregate notional amount of approximately $688 million and a weighted average maturity of approximately 1.3 years and a weighted average received-fixed strike rate of approximately 1.59%. We use these receive-fixed and pay-floating rate interest rate swap agreements as cash flow hedges of the variable-rate interest receipts of certain pools of loan assets.

We expect to replace the maturing cash flow hedges and potentially increase cash flow hedging to reduce asset-sensitivity and exposure to falling interest rates throughout 2019. Replacement hedges will likely be a combination of received-fixed and pay-floating interest rate swaps and purchased floors, or combinations of purchased floors and other sold options to help offset the cost of the purchased floors' premium.

During 2016 we closed our branch in Grand Cayman, Grand Cayman Islands B.W.I. and no longer have foreign operations. No derivatives were designated as hedges of investments in foreign operations during 2018.

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 the risk being hedged. For derivatives not designated as accounting hedges, changes in fair value are recognized in earnings. The remaining basis adjustments recorded to hedged items in fair value hedging relationships as well as any amounts remaining in AOCI for hedging relationships terminated prior to the maturity date documented in the hedge designation are accreted or amortized to interest income or expense over the originally designated period of the hedging relationship for cash flow hedges as the hedged transactions affect earnings or to the contractual maturity dates of the hedged items in fair value hedges.

### *Collateral and Credit Risk*

Exposure to credit risk arises from the possibility of nonperformance by counterparties. No significant losses on derivative instruments have occurred as a result of counterparty nonperformance. Financial institutions which are well-capitalized and well-established are the counterparties for those derivatives entered into for asset-liability management and to offset derivatives sold to our customers. The Bank reduces its counterparty exposure for derivative contracts by centrally clearing all eligible derivatives.

For those derivatives that are not centrally cleared, the counterparties are typically financial institutions or customers of the Bank. For those that are financial institutions, as noted above, we manage our credit exposure through the use of a Credit Support Annex ("CSA") to an ISDA master agreement with each counterparty. Eligible collateral types are documented by the CSA and controlled under the Bank's general credit policies. Collateral balances are typically monitored on a daily basis. A valuation haircut policy reflects the fact that collateral may fall in value between the date the collateral is called and the date of liquidation or enforcement. In practice, all of the Bank's collateral held as credit risk mitigation under a CSA is cash.

We offer interest rate swaps to our customers to assist them in managing their exposure to changing interest rates. Upon issuance, all of these customer swaps are immediately offset through closely matching derivative contracts, such that the Bank minimizes its interest rate risk exposure resulting from such transactions. Most of these customers do not have the capability for centralized clearing. Therefore, we manage the credit risk through loan underwriting which includes a credit risk exposure formula for the swap, the same collateral and guarantee

protection applicable to the loan and credit approvals, limits, and monitoring procedures. Fee income from customer swaps is included in other service charges, commissions and fees. Nevertheless, the related credit risk is considered and measured when and where appropriate. See Notes 6 and 15 for further discussion of our underwriting, collateral requirements, and other procedures used to address credit risk.

Our non-customer facing derivative contracts generally require us to pledge collateral for derivatives that are in a net liability position at a given balance sheet date. Certain of these derivative contracts contain credit-risk-related contingent features that include the requirement to maintain a minimum debt credit rating. We may be required to pledge additional collateral if a credit-risk-related feature were triggered, such as a downgrade of our credit rating. However, in past situations, not all counterparties have demanded that additional collateral be pledged when provided for under their contracts. At December 31, 2018, the fair value of our derivative liabilities was $39 million, for which we were required to pledge cash collateral of approximately $45 million in the normal course of business. If our credit rating were downgraded one notch by either Standard & Poor's or Moody's at December 31, 2018, there would likely be no additional collateral required to be pledged. As a result of the Dodd-Frank Act, all newly eligible derivatives entered into are cleared through a central clearinghouse. Derivatives that are centrally cleared do not have credit-risk-related features that require additional collateral if our credit rating were downgraded.

### *Derivative Amounts*

Selected information with respect to notional amounts and recorded gross fair values at December 31, 2018 and 2017, and the related gain (loss) of derivative instruments for the years then ended is summarized as follows:

| | December 31, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | | Fair value | | | Fair value | |
| *(In millions)* | Notional amount | Other assets | Other liabilities | Notional amount | Other assets | Other liabilities |
| Derivatives designated as hedging instruments | | | | | | |
| Cash flow hedges: | | | | | | |
| Interest rate swaps | $ 687 | $ — | $ — | $ 1,138 | $ — | $ — |
| Fair value hedges: | | | | | | |
| Interest rate swaps | 500 | — | — | — | — | — |
| Total derivatives designated as hedging instruments | 1,187 | — | — | 1,138 | — | — |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate swaps | 253 | 1 | 1 | 223 | 1 | — |
| Interest rate swaps for customers [1] | 5,652 | 40 | 36 | 4,550 | 28 | 33 |
| Foreign exchange | 389 | 4 | 2 | 913 | 9 | 7 |
| Total derivatives not designated as hedging instruments | 6,294 | 45 | 39 | 5,686 | 38 | 40 |
| Total derivatives | $ 7,481 | $ 45 | $ 39 | $ 6,824 | $ 38 | $ 40 |

[1] *Notional amounts include both the customer swaps and the offsetting derivative contracts. The fair values reflect gross termination values of our derivatives prior to netting of variation margin (collateral) postings and other offsetting derivatives with the Bank's Central Counterparty Clearing entities.*

| *(In millions)* | Year Ended December 31, 2018 | | | | Year Ended December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount of derivative gain (loss) recognized/reclassified | | | | | | | |
| | OCI | Reclassified from AOCI to interest income | Noninterest income (expense) | Offset to interest expense | OCI | Reclassified from AOCI to interest income | Noninterest income (expense) | Offset to interest expense |
| Derivatives designated as hedging instruments | | | | | | | | |
| Cash flow hedges: 1 | | | | | | | | |
| Interest rate swaps | $ (1) | $ (4) | | | $ (8) | $ 4 | | |
| Fair value hedges: | | | | | | | | |
| Terminated swaps on long-term debt | | | | $ (1) | | | | $ — |
| Total derivatives designated as hedging instruments | (1) | (4) | | (1) | (8) | 4 | | — |
| Derivatives not designated as hedging instruments | | | | | | | | |
| Interest rate swaps | | | $ (1) | | | | $ (1) | |
| Interest rate swaps for customers | | | 14 | | | | 11 | |
| Foreign exchange | | | 18 | | | | 17 | |
| Total derivatives | $ (1) | $ (4) | $ 31 | $ (1) | $ (8) | $ 4 | $ 27 | $ — |

*Note: These schedules are not intended to present at any given time the Bank's long/short position with respect to its derivative contracts.*

[1] *Amounts recognized in OCI and reclassified from AOCI represent the effective portion of the derivative gain (loss). For the 12 months following December 31, 2018, we estimate that $(5) million will be reclassified from AOCI into interest income.*

The following schedule presents derivatives used in fair value hedge accounting relationships, as well as pre-tax gains/(losses) recorded on such derivatives and the related hedged items for the periods presented.

| *(In millions)* | Gain/(loss) recorded in income | | | | | |
|---|---|---|---|---|---|---|
| | Year Ended December 31, 2018 | | | Year Ended December 31, 2017 | | |
| | Derivatives[2] | Hedged items | Total income statement impact | Derivatives[2] | Hedged items | Total income statement impact |
| Interest rate swaps[1] | $ 5 | $ (5) | $ — | $ — | $ — | $ — |

[1] *Consists of hedges of benchmark interest rate risk of fixed-rate long-term debt. Gains and losses were recorded in net interest expense.*

[2] *The income for the derivative does not reflect interest income/expense to be consistent with the presentation of the gains/(losses) on the hedged items.*

The following schedule provides selected information regarding the long-term debt in the statement of financial position in which the hedged item is included.

| *(In millions)* | Carrying amount of the hedged assets/ (liabilities) | | Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/(liabilities) | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Long-term debt | $ (505) | $ — | $ (5) | $ — |

The fair value of derivative assets was reduced by a net credit valuation adjustment of $3 million and $2 million at December 31, 2018 and 2017, respectively. The fair value of derivative liabilities was reduced by a net debit valuation adjustment of $1 million at both December 31, 2018 and 2017. These adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk.

## 8. PREMISES, EQUIPMENT AND SOFTWARE, NET

Premises, equipment and software, net are summarized as follows:

| *(In millions)* | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Land | $ 238 | $ 234 |
| Buildings | 736 | 720 |
| Furniture and equipment | 427 | 451 |
| Leasehold improvements | 145 | 135 |
| Software | 449 | 401 |
| Total [1] | 1,995 | 1,941 |
| Less accumulated depreciation and amortization | 871 | 847 |
| Net book value | $ 1,124 | $ 1,094 |

[1] *Amounts include $147 million at December 31, 2018, and $99 million at December 31, 2017, of costs that have been capitalized but are not yet depreciating because the respective assets have not been placed in service.*

## 9. GOODWILL AND OTHER INTANGIBLE ASSETS

Core deposit and other intangible assets and related accumulated amortization are as follows at December 31:

| *(In millions)* | Gross carrying amount | | Accumulated amortization | | Net carrying amount | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Core deposit intangibles | $ 167 | $ 167 | $ (166) | $ (165) | $ 1 | $ 2 |
| Customer relationships and other intangibles | 28 | 28 | (28) | (28) | — | — |
| Total | $ 195 | $ 195 | $ (194) | $ (193) | $ 1 | $ 2 |

The amount of amortization expense of core deposit and other intangible assets is separately reflected in the statement of income. Estimated amortization expense for core deposit and other intangible assets is $1 million in 2019, and nothing thereafter.

Changes in the carrying amount of goodwill for operating segments with goodwill are as follows:

| *(In millions)* | Zions Bank | CB&T | Amegy | Consolidated Bank |
|---|---|---|---|---|
| Balance at December 31, 2016 | $ 20 | $ 379 | $ 615 | $ 1,014 |
| Impairment losses | — | — | — | — |
| Balance at December 31, 2017 | 20 | 379 | 615 | 1,014 |
| Impairment losses | — | — | — | — |
| Balance at December 31, 2018 | $ 20 | $ 379 | $ 615 | $ 1,014 |

A bank-wide annual impairment test is conducted as of October 1st of each year and updated on a more frequent basis when events or circumstances indicate that impairment could have taken place. Results of the testing for 2018 and 2017 concluded that no impairment was present in any of the operating segments.

## 10. DEPOSITS

At December 31, 2018, the scheduled maturities of all time deposits were as follows:

| *(In millions)* | |
|---|---|
| 2019 | $ 3,791 |
| 2020 | 333 |
| 2021 | 99 |
| 2022 | 51 |
| 2023 | 62 |
| Thereafter | — |
| Total | $ 4,336 |

The contractual maturities of time deposits with a denomination of $100,000 and over were as follows:

| *(In millions)* | **December 31, 2018** |
|---|---|
| Three months or less | $ 1,114 |
| After three months through six months | 993 |
| After six months through twelve months | 1,060 |
| After twelve months | 307 |
| Total | $ 3,474 |

Time deposits in denominations that meet or exceed the current Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 were $2.8 billion and $1.9 billion at December 31, 2018 and 2017, respectively. Time deposits under $250,000 were $1.5 billion and $1.2 billion at December 31, 2018 and 2017, respectively. Deposit overdrafts reclassified as loan balances were $12 million and $14 million at December 31, 2018 and 2017, respectively.

## 11. SHORT-TERM BORROWINGS

Selected information for FHLB advances and other short-term borrowings is as follows:

| *(Dollar amounts in millions)* | **2018** | **2017** | **2016** |
|---|---|---|---|
| **Federal Home Loan Bank advances** | | | |
| Average amount outstanding | $ 2,971 | $ 2,657 | $ 37 |
| Average rate | 2.01% | 1.13% | 0.59% |
| Highest month-end balance | $ 5,400 | $ 3,750 | $ 750 |
| Year-end balance | 4,500 | 3,600 | 500 |
| Average rate on outstandings at year-end | 2.61% | 1.44% | 0.75% |
| **Other short-term borrowings, year-end balances** | | | |
| Federal funds purchased | $ 541 | $ 927 | $ 106 |
| Security repurchase agreements | 527 | 354 | 196 |
| Securities sold, not yet purchased | 85 | 95 | 25 |
| Total Federal Home Loan Bank advances and other short-term borrowings | $ 5,653 | $ 4,976 | $ 827 |

The Bank may borrow from the FHLB under their lines of credit that are secured under blanket pledge arrangements. The Bank maintained unencumbered collateral with carrying amounts adjusted for the types of collateral pledged, equal to at least 100% of the outstanding advances. At December 31, 2018, the amount available for FHLB advances was approximately $8.6 billion. The Bank may also borrow from the Federal Reserve based on the amount of collateral pledged to a Federal Reserve Bank. At December 31, 2018, the amount available for additional Federal Reserve borrowings was approximately $5.2 billion.

Federal funds purchased and security repurchase agreements generally mature in less than 30 days. Our participation in security repurchase agreements is on an overnight or term basis (e.g., 30 or 60 days). The Bank executes overnight repurchase agreements with sweep accounts in conjunction with a master repurchase agreement. When this occurs, securities under the Bank's control are pledged and interest is paid on the collected balance of the customers' accounts. For the non-sweep overnight and term repurchase agreements, securities are transferred to the applicable counterparty. The counterparty, in certain instances, is contractually entitled to sell or repledge securities accepted as collateral. Of the total security repurchase agreements at December 31, 2018, $298 million were overnight and $229 million were term.

## 12. LONG-TERM DEBT

Long-term debt is summarized as follows:

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Subordinated notes | $ 87 | $ 247 |
| Senior notes | 637 | 135 |
| Capital lease obligations | — | 1 |
| Total | $ 724 | $ 383 |

The preceding carrying values represent the par value of the debt adjusted for any unamortized premium or discount, unamortized debt issuance costs, as well as valuation adjustments for fair value swaps. During 2018, the Bank issued $500 million par value of senior notes with an interest rate of 3.5% and a maturity date of August 27, 2021. Also during 2018, the Bank called and redeemed $162 million of 5.65% subordinated notes maturing November 15, 2023. During 2017, $153 million of our senior notes matured.

### *Subordinated Notes*

Subordinated notes were issued by the Bank and consist of the following at December 31, 2018:

| *(Dollar amounts in millions)* | Subordinated notes | | |
|---|---|---|---|
| Coupon rate | Balance | Par amount | Maturity |
| 6.95% | $ 87 | $ 88 | Sep 2028 |

This subordinated note is unsecured and interest is payable quarterly. Interest payments commenced December 15, 2013 to the earliest possible redemption date of September 15, 2023, after which the interest rate changes to an annual floating rate equal to 3mL+3.89%.

### *Senior Notes*

Senior notes were issued by the Bank and consist of the following at December 31, 2018:

| *(Dollar amounts in millions)* | Senior notes | | |
|---|---|---|---|
| Coupon rate | Balance | Par amount | Maturity |
| 4.50% | $ 135 | $ 136 | June 2023 |
| 3.50% | 502 | 500 | August 2021 |
| Total | $ 637 | $ 636 | |

These notes are unsecured and interest is payable semiannually. The notes were issued under a shelf registration filed with the Securities and Exchange Commission ("SEC") and were sold via the Bank's online auction process and direct sales. The notes are not redeemable prior to maturity.

***Maturities of Long-term Debt***

Maturities of long-term debt are as follows for the years succeeding December 31, 2018:

| *(In millions)* | |
|---|---|
| 2019 | $ — |
| 2020 | — |
| 2021 | 502 |
| 2022 | — |
| 2023 | 135 |
| Thereafter | 87 |
| Total | $ 724 |

These maturities do not include the associated hedges.

## 13. SHAREHOLDERS' EQUITY

***Preferred Stock***

We have 4,400,000 authorized shares of preferred stock without par value and with a liquidation preference of $1,000 per share, or $25 per depositary share. Except for Series I and J, all preferred shares were issued in the form of depositary shares, with each depositary share representing a 1/40th ownership interest in a share of the preferred stock. All preferred shares are registered with the SEC. In addition, Series A, G, and H preferred stock are listed and traded on the New York Stock Exchange

In general, preferred shareholders may receive asset distributions before common shareholders; however, preferred shareholders have only limited voting rights generally with respect to certain provisions of the preferred stock, the issuance of senior preferred stock, and the election of directors. Preferred stock dividends reduce earnings applicable to common shareholders and are paid on the 15th day of the months indicated in the following schedule. Dividends are approved by the Board of Directors.

Redemption of the preferred stock is at the Bank's option after the expiration of any applicable redemption restrictions and the redemption amount is computed at the per share liquidation preference plus any declared but unpaid dividends. Redemptions are subject to certain regulatory provisions and maintaining well-capitalized minimum requirements.

Preferred stock is summarized as follows:

| *(Dollar amounts in millions)* | Carrying value at December 31, | | Shares at December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | Authorized *(thousands)* | Outstanding *(thousands)* | Rate | Dividends payable | Earliest redemption date | Rate following earliest redemption date | Dividends payable after rate change |
| | | | | | | | | (when applicable) | |
| Series A | $ 67 | $ 67 | 140,000 | 66,139 | > of 4.0% or 3mL+0.52% | Qtrly Mar,Jun,Sep,Dec | Dec 15, 2011 | | |
| Series G | 138 | 138 | 200,000 | 138,391 | 6.3% | Qtrly Mar,Jun,Sep,Dec | Mar 15, 2023 | annual float-ing rate = 3mL+4.24% | |
| Series H | 126 | 126 | 126,221 | 126,221 | 5.75% | Qtrly Mar,Jun,Sep,Dec | Jun 15, 2019 | | |
| Series I | 99 | 99 | 300,893 | 98,555 | 5.8% | Semi-annually Jun,Dec | Jun 15, 2023 | annual float-ing rate = 3mL+3.8% | Qtrly Mar,Jun,Sep,Dec |
| Series J | 136 | 136 | 195,152 | 136,368 | 7.2% | Semi-annually Mar,Sep | Sep 15, 2023 | annual float-ing rate = 3mL+4.44% | Qtrly Mar,Jun,Sep,Dec |
| Total | $ 566 | $ 566 | | | | | | | |

### *Preferred Stock Redemptions*

During 2017, we redeemed all outstanding shares of our 7.9% Series F preferred stock for a cash payment of approximately $144 million. The total reduction to net earnings applicable to common shareholders associated with the preferred stock redemption was $2 million due to the accelerated recognition of preferred stock issuance costs.

### *Common Stock*

The Bank's common stock is traded on the National Association of Securities Dealers Automated Quotations ("NASDAQ") Global Select Market. As of December 31, 2018, there were 187.6 million shares of $0.001 par common stock outstanding.

The Bank continued its common stock repurchase program during 2018 and repurchased 12.9 million shares of common shares outstanding with a fair value of $670 million at an average price of $51.77 per share. In February 2019, the Bank announced that the Board approved a plan to repurchase $275 million of common stock during the first quarter of 2019 and begun the repurchases.

During 2017 the Bank repurchased 7.0 million shares of common shares outstanding with a fair value of $320 million at an average price of $45.66 per share.

### *Common Stock Warrants*

During 2018, 1.8 million shares of common stock were issued from the cashless exercise of 5.8 million common stock warrants (NASDAQ: ZIONZ) which expired on November 14, 2018. As of December 31, 2018, 29.3 million common stock warrants (NASDAQ: ZIONW) with an exercise price of $34.82 were outstanding, and each common stock warrant was convertible into 1.05 common shares. These warrants expire on May 22, 2020.

### *Accumulated Other Comprehensive Income*

Accumulated other comprehensive income (loss) was $(250) million at December 31, 2018 compared with $(139) million at December 31, 2017. During 2017, $25 million was reclassified from AOCI to retained earnings as a result of the decreased corporate income tax rate from the Tax Cuts and Jobs Act of 2017.

Changes in AOCI by component are as follows:

| *(In millions)* | Net unrealized gains (losses) on investment securities | Net unrealized gains (losses) on derivatives and other | Pension and post-retirement | Total |
|---|---|---|---|---|
| **2018** | | | | |
| Balance at December 31, 2017 | $ (114) | $ (3) | $ (22) | $ (139) |
| Other comprehensive loss before reclassifications, net of tax | (114) | (1) | (1) | (116) |
| Amounts reclassified from AOCI, net of tax | — | 3 | 2 | 5 |
| Other comprehensive income (loss) | (114) | 2 | 1 | (111) |
| Balance at December 31, 2018 | $ (228) | $ (1) | $ (21) | $ (250) |
| Income tax expense (benefit) included in other comprehensive income (loss) | $ (37) | $ 1 | $ — | $ (36) |
| **2017** | | | | |
| Balance at December 31, 2016 | $ (92) | $ 1 | $ (31) | $ (122) |
| Other comprehensive income (loss) before reclassifications, net of tax | (2) | (1) | 9 | 6 |
| Amounts reclassified from AOCI, net of tax | — | (2) | 4 | 2 |
| Effect of new tax rates from Tax Cuts and Jobs Act of 2017 | (20) | (1) | (4) | (25) |
| Other comprehensive income (loss) | (22) | (4) | 9 | (17) |
| Balance at December 31, 2017 | $ (114) | $ (3) | $ (22) | $ (139) |
| Income tax expense (benefit) included in other comprehensive income (loss) | $ 19 | $ (1) | $ 11 | $ 29 |

| *(In millions)* | Amounts reclassified from AOCI [1] | | | Statement of Income (SI) Balance Sheet (BS) | |
|---|---|---|---|---|---|
| **Details about AOCI components** | **2018** | **2017** | **2016** | | **Affected line item** |
| Net unrealized gains (losses) on derivative instruments | $ (4) | $ 4 | $ 11 | SI | Interest and fees on loans |
| Income tax expense (benefit) | (1) | 2 | 4 | | |
| | $ (3) | $ 2 | $ 7 | | |
| Amortization of net actuarial loss | $ (3) | $ (7) | $ (8) | SI | Salaries and employee benefits |
| Income tax benefit | (1) | (3) | (3) | | |
| | $ (2) | $ (4) | $ (5) | | |

[1] *Negative reclassification amounts indicate decreases to earnings in the statement of income and increases to balance sheet assets. The opposite applies to positive reclassification amounts.*

### *Deferred Compensation*

Deferred compensation consists of invested assets, including the Bank's common stock, which are held in rabbi trusts for certain employees and directors. At December 31, 2018 and 2017, the cost of the common stock included in retained earnings was approximately $13 million and $14 million, respectively. We consolidate the fair value trust invested assets along with the total obligations and include them in other assets and other liabilities in the balance sheet. At December 31, 2018 and 2017, total invested assets were approximately $93 million and $102 million and total obligations were approximately $107 million and $116 million, respectively.

## 14. REGULATORY MATTERS

We are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Required capital levels are also subject to judgmental review by regulators.

In 2013, the FRB, FDIC, and the Office of the Comptroller of the Currency ("OCC") published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations that implemented the Basel Committee's December 2010 framework, commonly referred to as Basel III, for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III capital rules became effective for the Bank on January 1, 2015 and were subject to phase-in periods for certain of their components. In November 2017, the FRB, FDIC and OCC published a final rule for non-advanced approaches banks that extends the regulatory capital treatment applicable during 2017 under the regulatory capital rules for certain items. We met all capital adequacy requirements under the Basel III Capital Rules as of December 31, 2018.

Under prior Basel I capital standards, the effects of AOCI items included in capital were excluded for purposes of determining regulatory capital and capital ratios. As a "non-advanced approaches banking organization," we made a one-time permanent election as of January 1, 2015 to continue to exclude these items, as allowed under the Basel III Capital Rules.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). "Well-capitalized" levels are also published as a guideline to evaluate capital positions. As of December 31, 2018, all capital ratios of the Bank exceeded the "well-capitalized" levels under the regulatory framework for prompt corrective action.

Dividends declared by the Bank in any calendar year may not, without the approval of the appropriate federal regulators, exceed specified criteria. When determining dividends, the Bank considers current and historical earning levels, retained earnings, and risk-based and other regulatory capital requirements and limitations.

Bank-run stress tests seek to comprehensively measure all risks to which the institution is exposed, including credit, liquidity, market, operating and other risks, the losses that could result from those risk exposures under adverse scenarios, and the institution's resulting capital levels. These stress tests have both a qualitative and a quantitative component. The qualitative component evaluates the robustness of the Bank's risk identification, stress risk modeling, policies, capital planning, governance processes, and other components of a Capital Adequacy Process. The quantitative process subjects the Bank's balance sheet and other risk characteristics to stress testing by using its own models.

The actual capital amounts and ratios at December 31, 2018 and 2017 for the Bank under Basel III are as follows:

| *(Dollar amounts in millions)* | December 31, 2018 | | To be well-capitalized | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| **Basel III Regulatory Capital Amounts and Ratios[1]** | | | | |
| Total capital (to risk-weighted assets) | $ 7,450 | 13.9% | $ 5,359 | 10.0% |
| Tier 1 capital (to risk-weighted assets) | 6,811 | 12.7 | 4,287 | 8.0 |
| Common equity tier 1 capital (to risk-weighted assets) | 6,245 | 11.7 | 3,483 | 6.5 |
| Tier 1 capital (to average assets) | 6,811 | 10.3 | 3,317 | 5.0 |

| *(Dollar amounts in millions)* | December 31, 2017 | | To be well-capitalized | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| **Basel III Regulatory Capital Amounts and Ratios** | | | | |
| Total capital (to risk-weighted assets) | | | | |
| Zions Bancorporation | $ 7,628 | 14.8% | $ 5,146 | 10.0% |
| ZB, National Association | 7,306 | 14.2 | 5,130 | 10.0 |
| Tier 1 capital (to risk-weighted assets) | | | | |
| Zions Bancorporation | 6,805 | 13.2 | 4,116 | 8.0 |
| ZB, National Association | 6,730 | 13.1 | 4,104 | 8.0 |
| Common equity tier 1 capital (to risk-weighted assets) | | | | |
| Zions Bancorporation | 6,239 | 12.1 | 3,345 | 6.5 |
| ZB, National Association | 5,899 | 11.5 | 3,334 | 6.5 |
| Tier 1 capital (to average assets) | | | | |
| Zions Bancorporation | 6,805 | 10.5 | na | na [2] |
| ZB, National Association | 6,730 | 10.4 | 3,227 | 5.0 |

[1] *Basel III regulatory capital amounts and ratios for 2018 are for Zions Bancorporation, National Association.*

[2] *There is no Tier 1 leverage ratio component in the definition of a well-capitalized bank holding company.*

The Bank is also subject to "capital conservation buffer" regulatory requirements. When fully phased-in, the Basel III capital rules will also require the Bank to maintain a 2.5% "capital conservation buffer" designed to absorb losses during periods of economic stress, composed entirely of Common Equity Tier 1 ("CET1"), on top of the minimum risk-weighted asset ratios, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7.0%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and progressively increases over time, as determined by regulation. The Bank's triggers and limits under actual conditions and baseline projections are more restrictive than the capital conservation buffer requirements.

## 15. COMMITMENTS, GUARANTEES, CONTINGENT LIABILITIES, AND RELATED PARTIES

### *Commitments and Guarantees*

We use certain financial instruments, including derivative instruments, in the normal course of business to meet the financing needs of our customers, to reduce our own exposure to fluctuations in interest rates, and to make a market in U.S. Government, agency, corporate, and municipal securities. 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. Derivative instruments are discussed in Notes 7 and 3.

Contractual amounts of the off-balance sheet financial instruments used to meet the financing needs of our customers are as follows:

| *(In millions)* | December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Net unfunded commitments to extend credit [1] | $ 21,454 | $ 19,583 |
| Standby letters of credit: | | |
| Financial | 655 | 721 |
| Performance | 199 | 196 |
| Commercial letters of credit | 18 | 31 |
| Total unfunded lending commitments | $ 22,326 | $ 20,531 |

[1] *Net of participations.*

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on our initial credit evaluation of the counterparty. Types of collateral vary, but may include accounts receivable, inventory, property, plant and equipment, and income-producing properties.

While establishing commitments to extend credit creates credit risk, a significant portion of such commitments is expected to expire without being drawn upon. As of December 31, 2018, $6.4 billion of commitments expire in 2019. We use the same credit policies and procedures in making commitments to extend credit and conditional obligations as we do for on-balance sheet instruments. These policies and procedures include credit approvals, limits, and monitoring.

We issue standby and commercial letters of credit as conditional commitments generally to guarantee the performance of a customer to a third party. The guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Standby letters of credit include remaining commitments of $577 million expiring in 2019 and $277 million expiring thereafter through 2027. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. We generally hold marketable securities and cash equivalents as collateral when necessary. At December 31, 2018, the Bank recorded $5 million as a liability for these guarantees, which consisted of $1 million attributable to the RULC and $4 million of deferred commitment fees.

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

At December 31, 2018, we had unfunded commitments for PEIs of $30 million. These obligations have no stated maturity. PEIs related to these commitments prohibited by the Volcker Rule were $2 million. See the related discussion about these investments in Note 5.

The contractual or notional amount of financial instruments indicates a level of activity associated with a particular financial instrument class and is not a reflection of the actual level of risk. As of December 31, 2018 and 2017, the regulatory risk-weighted values assigned to all off-balance sheet financial instruments and derivative instruments described herein were $7.6 billion and $6.8 billion, respectively.

At December 31, 2018, we were required to maintain cash balances of $303 million with the Federal Reserve Bank to meet minimum balance requirements in accordance with FRB regulations.

***Leases***

We have commitments for leasing premises and equipment under the terms of noncancelable capital and operating leases expiring from 2019 and 2052. Premises leased under capital leases at December 31, 2018, were $1 million, and were essentially amortized with accumulated amortization totaling approximately $1 million. Amortization applicable to premises leased under capital leases is included in depreciation expense.

Future aggregate minimum rental payments under existing noncancelable operating leases at December 31, 2018, are as follows:

| *(in millions)* | |
|---|---|
| 2019 | $ 47 |
| 2020 | 44 |
| 2021 | 38 |
| 2022 | 34 |
| 2023 | 30 |
| Thereafter | 86 |
| Total | $ 279 |

Future aggregate minimum rental payments have been reduced by noncancelable subleases of $1 million each year from 2019 through 2022. Aggregate rental expense on operating leases amounted to $59 million in 2018, $61 million in 2017, and $65 million in 2016.

### *Legal Matters*

We are subject to litigation in court and arbitral proceedings, as well as proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies. Litigation may relate to lending, deposit and other customer relationships, vendor and contractual issues, employee matters, intellectual property matters, personal injuries and torts, regulatory and legal compliance, and other matters. While most matters relate to individual claims, we are also subject to putative class action claims and similar broader claims. Proceedings, investigations, examinations and other actions brought or considered by governmental and self-regulatory agencies may relate to our banking, investment advisory, trust, securities, and other products and services; our customers' involvement in money laundering, fraud, securities violations and other illicit activities or our policies and practices relating to such customer activities; and our compliance with the broad range of banking, securities and other laws and regulations applicable to us. At any given time, we may be in the process of responding to subpoenas, requests for documents, data and testimony relating to such matters and engaging in discussions to resolve the matters.

As of December 31, 2018, we were subject to the following material litigation or governmental inquiries:

- a civil suit, *Shou-En Wang v. CB&T,* brought against us in the Superior Court for Los Angeles County, Central District in April 2016. The case relates to our depositor relationships with customers who were promoters of an investment program that allegedly misappropriated investors' funds. This case is in an early phase, with initial motion practice and discovery having been completed, with additional motion practice and expert witness phases being underway.
- a civil suit, *McFarland as Trustee for International Manufacturing Group v. CB&T, et. al.*, brought against us in the United States Bankruptcy Court for the Eastern District of California in May 2016. The Trustee seeks to recover loan payments previously repaid to us by our customer, International Manufacturing Group ("IMG"), alleging that IMG, along with its principal, obtained loans and made loan repayments in furtherance of an alleged Ponzi scheme. Initial motion practice has been completed and discovery is underway.
- a civil suit, *JTS Communities, Inc. et. al v. CB&T, Jun Enkoji and Dawn Satow*, brought against us in the Superior Court for Sacramento County, California in June 2017. In this case four investors in IMG seek to hold us liable for losses arising from their investments in that company, alleging that we conspired with and knowingly assisted IMG and its principal in furtherance of an alleged Ponzi Scheme. Initial motion practice has been completed and discovery is underway.
- a civil class action lawsuit, *Evans v. CB&T*, brought against us in the United States District Court for the Eastern District of California in May 2017. This case was filed on behalf of a class of up to 50 investors in IMG and seeks to hold us liable for losses of class members arising from their investments in IMG, alleging that we conspired with and knowingly assisted IMG and its principal in furtherance of an alleged Ponzi Scheme. In December 2017, the District Court dismissed all claims against the Bank. In January 2018, the plaintiff filed an appeal with the Court of Appeals for the Ninth Circuit. The appellate briefing process has been completed with a ruling anticipated in 2019.
- a Private Attorney General Act ("PAGA") claim under California law, *Lawson v. CB&T*, brought against us in the Superior Court for the County of San Diego, California, in February 2016. In this case, the plaintiff alleges, on behalf of herself and other current or former employees of the Bank who worked in California on a non-exempt basis, violations by the Bank of California wage and hour laws. The case remains in the early stages of motion practice, to date mainly involving questions of venue and scope of employees covered by the PAGA claims. In March 2018, the Supreme Court of California granted review of an appeal from the intermediate appellate court decision requiring all aspects of the case to be heard in state court, rather than in arbitration. The appellate briefing process has been completed with a ruling anticipated in 2019.
- a civil case, *Lifescan Inc. and Johnson & Johnson Health Care Services v. Jeffrey Smith, et al.*, brought against us in the United States District Court for the District of New Jersey in December 2017. In this case, certain

manufacturers and distributors of medical products seek to hold us liable for allegedly fraudulent practices of a borrower of the Bank which filed for bankruptcy protection in 2017. The case is in early phase, with initial motion practice and discovery underway.

- a civil class action lawsuit, *Gregory, et. al. v. Zions Bancorporation*, was brought against us in the United States District Court in Utah in January 2019. This case was filed on behalf of investors in Rust Rare Coin, Inc. alleging that we aided and abetted a Ponzi scheme fraud perpetrated by Rust Rare Coin, a Zions Bank customer. This case follows civil actions and the establishment of a receivership for Rust Rare Coin by the Commodities Futures Trading Commission and the Utah Division of Securities in November 2018, as well as a separate suit brought by the Securities and Exchange Commission against Rust Rare Coin and its principal Gaylen Rust.

At least quarterly, we review outstanding and new legal matters, utilizing then available information. In accordance with applicable accounting guidance, if we determine that a loss from a matter is probable and the amount of the loss can be reasonably estimated, we establish an accrual for the loss. In the absence of such a determination, no accrual is made. Once established, accruals are adjusted to reflect developments relating to the matters.

In our review, we also assess whether we can determine the range of reasonably possible losses for significant matters in which we are unable to determine that the likelihood of a loss is remote. Because of the difficulty of predicting the outcome of legal matters, discussed subsequently, we are able to meaningfully estimate such a range only for a limited number of matters. Based on information available as of December 31, 2018, we estimated that the aggregate range of reasonably possible losses for those matters to be from $0 million to roughly $50 million in excess of amounts accrued. The matters underlying the estimated range will change from time to time, and actual results may vary significantly from this estimate. Those matters for which a meaningful estimate is not possible are not included within this estimated range and, therefore, this estimated range does not represent our maximum loss exposure.

Based on our current knowledge, we believe that our current estimated liability for litigation and other legal actions and claims, reflected in our accruals and determined in accordance with applicable accounting guidance, is adequate and that liabilities in excess of the amounts currently accrued, if any, arising from litigation and other legal actions and claims for which an estimate as previously described is possible, will not have a material impact on our financial condition, results of operations, or cash flows. However, in light of the significant uncertainties involved in these matters, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our financial condition, results of operations, or cash flows for any given reporting period.

Any estimate or determination relating to the future resolution of litigation, arbitration, governmental or self-regulatory examinations, investigations or actions or similar matters is inherently uncertain and involves significant judgment. This is particularly true in the early stages of a legal matter, when legal issues and facts have not been well articulated, reviewed, analyzed, and vetted through discovery, preparation for trial or hearings, substantive and productive mediation or settlement discussions, or other actions. It is also particularly true with respect to class action and similar claims involving multiple defendants, matters with complex procedural requirements or substantive issues or novel legal theories, and examinations, investigations and other actions conducted or brought by governmental and self-regulatory agencies, in which the normal adjudicative process is not applicable. Accordingly, we usually are unable to determine whether a favorable or unfavorable outcome is remote, reasonably likely, or probable, or to estimate the amount or range of a probable or reasonably likely loss, until relatively late in the course of a legal matter, sometimes not until a number of years have elapsed. Accordingly, our judgments and estimates relating to claims will change from time to time in light of developments and actual outcomes will differ from our estimates. These differences may be material.

***Related Party Transactions***

We have no material related party transactions requiring disclosure. In the ordinary course of business, the Bank and its subsidiary bank extend credit to related parties, including executive officers, directors, principal shareholders, and their associates and related interests. These related party loans are made in compliance with applicable banking regulations.

## 16. REVENUE RECOGNITION

*Adoption of ASC Topic 606, "Revenue from Contracts with Customers"*

On January 1, 2018, we adopted the accounting guidance in ASC Topic 606, "Revenue from Contracts with Customers" ("Topic 606") using the modified retrospective method applied to those contracts with customers for which the performance obligations were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605, "Revenue Recognition." Upon adoption, the Bank has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Bank recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Bank would have recognized is one year or less.
- For performance obligations satisfied over time, if the Bank has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Bank's performance completed to date, the Bank will generally recognize revenue in the amount to which the Bank has a right to invoice.
- The Bank does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Bank recognizes revenue in the amount to which the Bank has a right to invoice.

The cumulative effect of adopting Topic 606 did not have a material impact to retained earnings as of January 1, 2018. The adoption of Topic 606 resulted in changes to our accounting policies, business processes, and internal controls to support the recognition, measurement and disclosure requirements under Topic 606.

### Revenue Recognition

We derive our revenue primarily from interest income on loans and securities, which was more than three-quarters of our revenue for 2018, and is out of scope of ASC 606. Only noninterest income is considered to be revenue from contracts with customers in scope of ASC 606. Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The following is a description of revenue from contracts with customers:

*Service charges and fees on deposit accounts*

Service charges and fees on deposit accounts typically consist of fees charged for providing customers with deposit services. These fees are primarily comprised of account analysis fees, insufficient funds fees, and other various fees on deposit accounts. Service charges on deposit accounts include fees earned in lieu of compensating balances, and fees earned for performing cash management services and other deposit account services. Service charges on deposit accounts in this revenue category are recognized over the period in which the related service is provided. Treasury Management fees are billed monthly based on services rendered for the month.

*Other Service charges, commissions, and fees*

Other service charges, commissions, and fees primarily consist of credit and debit card interchange fees, automated teller machine ("ATM") services, and various account services such as wires, safe deposit box, check issuance and cashing services. Revenue is recognized as the services are rendered or upon completion of services.

The Bank's card fee income includes interchange income from credit and debit cards and net fees earned from processing card transactions for merchants. Card income is recognized as earned. Reward program costs are recorded when the rewards are earned by the customer and presented as a reduction to interchange income.

The major income categories within “Other Service charges, commissions and fees” that are in scope of ASC 606 are summarized as follows:

| *(In millions)* | Year Ended December 31, 2018 |
|---|---|
| Card Fee Income | $ 138 |
| ATM Fees | 10 |
| Other service charges | 14 |
| Other Commissions and fees | 21 |
| Ending balance | $ 183 |

*Wealth management and trust income*

Wealth management and trust income is comprised of a variety of products, including but not limited to: corporate and personal trust income, wealth management commissions, portfolio services, and advisory services. Revenue is recognized as the services are rendered or upon completion of services. Financial planning and estate services typically have performance obligations that are greater than 12 months, although the amount of future performance obligations are not significant.

*Capital markets and foreign exchange*

Capital markets and foreign exchange fees primarily consist of mutual fund distribution fees, municipal advisory services, and foreign exchange services provided to customers. Revenue is recognized as the services are rendered or upon completion of services.

*Other noninterest income from contracts with customers*

Other noninterest income from customers primarily consists of trust operations outsourcing and other various income streams. Revenue is recognized as the services are rendered or upon completion of services.

**Disaggregation of Revenue**

We provide services across different geographical areas, primarily in 11 Western U.S. States, under banking operations that have their own individual brand names, including Zions Bank, Amegy Bank, California Bank & Trust, National Bank of Arizona, Nevada State Bank, Vectra Bank Colorado, and The Commerce Bank of Washington. The operating segment listed as “Other” includes certain nonbank financial services subsidiaries, centralized back-office functions, and eliminations of transactions between the segments.

In accordance with ASC 606, noninterest income and net revenue by operating segments are summarized as follows:

| | Zions Bank | Amegy | CB&T |
|---|---|---|---|
| *(In millions)* | 2018 | 2018 | 2018 |
| Service charges and fees on deposit accounts | $ 57 | $ 44 | $ 28 |
| Other service charges, commissions, and fees | 72 | 37 | 25 |
| Wealth management and trust income | 15 | 10 | 4 |
| Capital markets and foreign exchange | 5 | (5) | 4 |
| Other noninterest income from contracts with customers | — | — | — |
| Total noninterest income from contracts with customers (ASC 606) | 149 | 86 | 61 |
| Other noninterest income (Non-ASC 606 customer related) | (1) | 40 | 17 |
| Total customer-related fees | 148 | 126 | 78 |
| Other noninterest income (non-customer related) | 2 | — | 4 |
| Total noninterest income | 150 | 126 | 82 |
| Other real estate owned gain from sale | 1 | — | — |
| Net interest income | 699 | 519 | 538 |
| Total income less interest expense | $ 850 | $ 645 | $ 620 |

| | NBAZ | NSB | Vectra |
|---|---|---|---|
| *(In millions)* | 2018 | 2018 | 2018 |
| Service charges and fees on deposit accounts | $ 13 | $ 15 | $ 8 |
| Other service charges, commissions, and fees | 11 | 13 | 6 |
| Wealth management and trust income | 2 | 3 | 2 |
| Capital markets and foreign exchange | 1 | 1 | 1 |
| Other noninterest income from contracts with customers | — | — | — |
| Total noninterest income from contracts with customers (ASC 606) | 27 | 32 | 17 |
| Other noninterest income (Non-ASC 606 customer related) | 9 | 9 | 7 |
| Total customer-related fees | 36 | 41 | 24 |
| Other noninterest income (non-customer related) | 3 | — | — |
| Total noninterest income | 39 | 41 | 24 |
| Other real estate owned gain from sale | — | — | — |
| Net interest income | 231 | 151 | 137 |
| Total income less interest expense | $ 270 | $ 192 | $ 161 |

| | TCBW | Other | Consolidated Bank |
|---|---|---|---|
| *(In millions)* | 2018 | 2018 | 2018 |
| Service charges and fees on deposit accounts | $ 1 | $ — | $ 166 |
| Other service charges, commissions, and fees | 3 | 16 | 183 |
| Wealth management and trust income | — | 14 | 50 |
| Capital markets and foreign exchange | — | 5 | 12 |
| Other noninterest income from contracts with customers | — | 1 | 1 |
| Total noninterest income from contracts with customers (ASC 606) | 4 | 36 | 412 |
| Other noninterest income (Non-ASC 606 customer related) | 1 | 7 | 89 |
| Total customer-related fees | 5 | 43 | 501 |
| Other noninterest income (non-customer related) | — | 42 | 51 |
| Total noninterest income | 5 | 85 | 552 |
| Other real estate owned gain from sale | — | — | 1 |
| Net interest income | 55 | (100) | 2,230 |
| Total income less interest expense | $ 60 | $ (15) | $ 2,783 |

Prior to the adoption of ASC 606, noninterest income and net revenue by operating segments for 2017 and 2016 are summarized as follows:

| *(In millions)* | Zions Bank | | Amegy | | CB&T | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service charges and fees on deposit accounts | $ 63 | $ 59 | $ 42 | $ 46 | $ 28 | $ 28 |
| Other service charges, commissions, and fees | 55 | 53 | 53 | 54 | 36 | 29 |
| Wealth management and trust income | 15 | 12 | 9 | 9 | 3 | 3 |
| Loan sales and servicing income | 13 | 20 | 4 | 6 | 2 | 2 |
| Capital markets and foreign exchange | 5 | 3 | 11 | 8 | 4 | 4 |
| Total customer-related fees | 151 | 147 | 119 | 123 | 73 | 66 |
| Other noninterest income | — | 2 | (1) | — | 2 | 1 |
| Total noninterest income | 151 | 149 | 118 | 123 | 75 | 67 |
| Other real estate owned gain (loss) from sale | — | — | — | (1) | (1) | (1) |
| Net interest income | 648 | 622 | 482 | 460 | 481 | 434 |
| Total income less interest expense | $ 799 | $ 771 | $ 600 | $ 582 | $ 555 | $ 500 |

| *(In millions)* | NBAZ | | NSB | | Vectra | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service charges and fees on deposit accounts | $ 13 | $ 13 | $ 15 | $ 15 | $ 8 | $ 9 |
| Other service charges, commissions, and fees | 21 | 21 | 18 | 18 | 12 | 11 |
| Wealth management and trust income | 1 | 2 | 3 | 3 | 1 | 1 |
| Loan sales and servicing income | 1 | 1 | 2 | 3 | 2 | 2 |
| Capital markets and foreign exchange | 1 | — | 1 | — | 1 | — |
| Total customer-related fees | 37 | 37 | 39 | 39 | 24 | 23 |
| Other noninterest income | 3 | 3 | 1 | — | 1 | — |
| Total noninterest income | 40 | 40 | 40 | 39 | 25 | 23 |
| Other real estate owned gain from sale | — | — | — | — | — | — |
| Net interest income | 204 | 190 | 131 | 122 | 127 | 120 |
| Total income less interest expense | $ 244 | $ 230 | $ 171 | $ 161 | $ 152 | $ 143 |

| *(In millions)* | TCBW | | Other | | Consolidated Bank | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Service charges and fees on deposit accounts | $ 2 | $ 2 | $ — | $ (1) | $ 171 | $ 171 |
| Other service charges, commissions, and fees | 3 | 3 | 19 | 19 | 217 | 208 |
| Wealth management and trust income | — | — | 10 | 7 | 42 | 37 |
| Loan sales and servicing income | — | — | 1 | 1 | 25 | 35 |
| Capital markets and foreign exchange | — | — | 7 | 7 | 30 | 22 |
| Total customer-related fees | 5 | 5 | 37 | 33 | 485 | 473 |
| Other noninterest income | — | — | 53 | 37 | 59 | 43 |
| Total noninterest income | 5 | 5 | 90 | 70 | 544 | 516 |
| Other real estate owned gain (loss) from sale | — | — | — | — | (1) | (2) |
| Net interest income | 46 | 38 | (54) | (119) | 2,065 | 1,867 |
| Total income less interest expense | $ 51 | $ 43 | $ 36 | $ (49) | $ 2,608 | $ 2,381 |

Revenue from contracts with customers did not generate significant contract assets and liabilities. Contract receivables are included in Other Assets. Payment terms vary by services offered, and the timing between completion of performance obligations and payment is typically not significant.

## 17. RETIREMENT PLANS

### *Defined Benefit Plans*

*Pension* – This qualified noncontributory defined benefit plan is frozen to new participation. No service-related benefits have been accrued since July 1, 2013. All participants in the Plan are currently 100% vested in their benefits. Plan assets consist principally of corporate equity securities, mutual fund investments, real estate, and fixed income investments. Plan benefits are paid as a lump-sum cash value or an annuity at retirement age. Contributions to the plan are based on actuarial recommendation and pension regulations. There was no minimum regulatory

contribution required in 2018 and 2017. Currently, it is expected that no minimum regulatory contributions will be required in 2019.

In October 2018, the Bank decided to terminate its pension plan subject to obtaining necessary regulatory approval. Completion of this termination is expected in early 2020. Plan participant benefits will not be disadvantaged because of this decision.

*Supplemental Retirement* – These unfunded nonqualified plans are for certain current and former employees. Each year, Bank contributions to these plans are made in amounts sufficient to meet benefit payments to plan participants.

*Postretirement Medical/Life* – This unfunded health care and life insurance plan provides postretirement medical benefits to certain full-time employees who meet minimum age and service requirements. The plan also provides specified life insurance benefits to certain employees. The plan is contributory with retiree contributions adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. Plan coverage is provided by self-funding or health maintenance organization options. Our contribution towards the retiree medical premium has been permanently frozen at an amount that does not increase in any future year. Retirees pay the difference between the full premium rates and our capped contribution.

Because our contribution rate is capped, there is no effect on the postretirement plan from assumed increases or decreases in health care cost trends. Each year, Bank contributions to the plan are made in amounts sufficient to meet the portion of the premiums that are the Bank’s responsibility.

The following presents the change in benefit obligation, change in fair value of plan assets, and funded status, of the plans and amounts recognized in the balance sheet as of the measurement date of December 31:

| | Pension | | Supplemental Retirement | | Postretirement | |
|---|---|---|---|---|---|---|
| *(In millions)* | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Change in benefit obligation: | | | | | | |
| Benefit obligation at beginning of year | $ 154 | $ 165 | $ 10 | $ 10 | $ 1 | $ 1 |
| Interest cost | 6 | 6 | — | 1 | — | — |
| Actuarial loss (gain) | (10) | 2 | — | — | — | — |
| Benefits paid | (12) | (19) | (1) | (1) | — | — |
| Benefit obligation at end of year | 138 | 154 | 9 | 10 | 1 | 1 |
| Change in fair value of plan assets: | | | | | | |
| Fair value of plan assets at beginning of year | 168 | 161 | — | — | — | — |
| Actual return on plan assets | 1 | 26 | — | — | — | — |
| Employer contributions | — | — | 1 | 1 | — | — |
| Benefits paid | (12) | (19) | (1) | (1) | — | — |
| Fair value of plan assets at end of year | 157 | 168 | — | — | — | — |
| Funded status | $ 19 | $ 14 | $ (9) | $ (10) | $ (1) | $ (1) |
| Amounts recognized in balance sheet: | | | | | | |
| Asset (liability) for pension/postretirement benefits | $ 19 | $ 14 | $ (9) | $ (10) | $ (1) | $ (1) |
| Accumulated other comprehensive income (loss) | (27) | (28) | (2) | (2) | — | — |
| Accumulated other comprehensive income (loss) consists of: | | | | | | |
| Net loss | $ (27) | $ (28) | $ (2) | $ (2) | $ — | $ — |

The pension asset and the liability for supplement retirement/postretirement benefits are included in other assets and other liabilities, respectively, in the balance sheet. The accumulated benefit obligation is the same as the benefit obligation shown in the preceding schedule. During the third quarter of 2017, the Bank revised its pension plan to offer certain participants a temporary opportunity to make an election to receive an immediate distribution from the pension plan. The window was available between August 1, 2017 and November 24, 2017. The impact of these distributions is included in “benefits paid” in the preceding schedule and in “settlement loss” shown in the net period benefit cost (credit) schedule.

The amounts in AOCI (loss) at December 31, 2018 expected to be recognized as an expense component of net periodic benefit cost in 2019 for the plans are estimated as follows:

| *(In millions)* | Pension | Supplemental Retirement | Postretirement |
|---|---|---|---|
| Net loss | $ (2) | $ — | $ — |

The following presents the components of net periodic benefit cost (credit) for the plans:

| | Pension | | | Supplemental Retirement | | | Postretirement | | |
|---|---|---|---|---|---|---|---|---|---|
| *(In millions)* | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Interest cost | $ 6 | $ 6 | $ 7 | $ — | $ 1 | $ 1 | $ — | $ — | $ — |
| Expected return on plan assets | (11) | (11) | (11) | — | — | — | — | — | — |
| Amortization of net actuarial loss | 1 | 4 | 6 | — | — | — | — | — | — |
| Settlement loss | 1 | 3 | 2 | — | — | — | — | — | — |
| Net periodic benefit cost | $ (3) | $ 2 | $ 4 | $ — | $ 1 | $ 1 | $ — | $ — | $ — |

Weighted average assumptions based on the pension plan are the same where applicable for each of the plans and are as follows:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Used to determine benefit obligation at year-end: | | | |
| Discount rate | 4.20% | 3.50% | 4.10% |
| Used to determine net periodic benefit cost for the years ended December 31: | | | |
| Discount rate | 3.50 | 4.10 | 4.20 |
| Expected long-term return on plan assets | 5.75 | 7.25 | 7.50 |

The discount rate reflects the yields available on long-term, high-quality fixed income debt instruments with cash flows similar to the obligations of the pension plan, and is reset annually on the measurement date. The expected long-term rate of return on plan assets is based on a review of the target asset allocation of the plan. This rate is intended to approximate the long-term rate of return that we anticipate receiving on the plan's investments, considering the mix of the assets that the plan holds as investments, the expected return on these underlying investments, the diversification of these investments, and the rebalancing strategies employed. An expected long-term rate of return is assumed for each asset class and an underlying inflation rate assumption is determined.

Benefit payments to the plans' participants are estimated in the following schedule for the years succeeding December 31, 2018. If the necessary regulatory approvals are obtained, and the pension plan is terminated, there would not be payments made by the Bank to plan participants after termination of the plan.

| *(In millions)* | Pension | Supplemental Retirement | Postretirement |
|---|---|---|---|
| 2019 | $ 10 | $ 2 | $ — |
| 2020 | 10 | 1 | — |
| 2021 | 10 | 1 | — |
| 2022 | 9 | 1 | — |
| 2023 | 9 | 1 | — |
| Years 2024 - 2028 | 42 | 3 | — |

We are also obligated under other supplemental retirement plans for certain current and former employees. Our liability for these plans was $5 million and $6 million at December 31, 2018 and 2017, respectively.

For the pension plan, the investment strategy is predicated on its investment objectives and the risk and return expectations of asset classes appropriate for the plan. Investment objectives have been established by considering the plan's liquidity needs and time horizon and the fiduciary standards under the Employee Retirement Income Security Act of 1974. The asset allocation strategy is developed to meet the plan's long-term needs in a manner designed to control volatility and to reflect risk tolerance. Target investment allocation percentages as of December 31, 2018 are 9% in equity, 88% in fixed income and cash, and 3% in real estate assets. During the second quarter of 2018 the asset allocation was changed from primarily equity focused to fixed income focused.

The following presents the fair values of pension plan investments according to the fair value hierarchy described in Note 3, and the weighted average allocations:

| | December 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| *(In millions)* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Bank common stock | $ 10 | $ — | $ — | $ 10 | $ 12 | $ — | $ — | $ 12 |
| Mutual funds: | | | | | | | | |
| Debt | — | — | — | — | 7 | — | — | 7 |
| Guaranteed deposit account | — | — | $ 12 | 12 | — | — | $ 9 | 9 |

In addition to the investments listed in the previous schedule, as of December 31, 2018, pension plan investments valued using NAV as the practical expedient for fair value consist of $15 million in equity investments, and $116 million in debt investments, which are in pooled separate accounts, as well as $4 million in limited partnerships. As of December 31, 2017, pension plan investments valued using NAV as the practical expedient for fair value consist of $97 million in equity investments, $31 million in debt investments, and $8 million in real estate investments, which are in pooled separate accounts, as well as $4 million in limited partnerships.

No transfers of assets occurred among Levels 1, 2 or 3 during 2018 or 2017.

The following describes the pension plan investments and the valuation methodologies used to measure their fair value:

Bank common stock – Shares of the Bank's common stock are valued at the last reported sales price on the last business day of the plan year in the active market where individual securities are traded.

Mutual funds – These funds are valued at quoted market prices which represent the NAVs of shares held by the plan at year-end.

Insurance company pooled separate accounts – These funds are invested in by more than one investor. They are offered through separate accounts of the trustee's insurance company and managed by internal and professional advisors. Participation units in these accounts are valued at the NAV as the practical expedient for fair value as determined by the insurance company.

Guaranteed deposit account – This account is a group annuity product issued by the trustee's insurance company with guaranteed crediting rates established at the beginning of each calendar year. The account balance is stated at fair value as estimated by the trustee. The account is credited with deposits made, plus earnings at guaranteed crediting rates, less withdrawals and administrative expenses. The underlying investments generally include investment-grade public and privately traded debt securities, mortgage loans and, to a lesser extent, real estate and other equity investments. Market value adjustments are applied at the time of redemption if certain withdrawal limits are exceeded.

Additional fair value quantitative information for the guaranteed deposit account is as follows:

| **Principal valuation techniques** | **Significant unobservable inputs** | **Range (weighted average) of significant input values** | |
|---|---|---|---|
| For the underlying investments – reported fair values when available for market traded investments; when not applicable, discounted cash flows under an income approach using U.S. Treasury rates and spreads based on cash flow timing and quality of assets. | Earnings at guaranteed crediting rate | Gross guaranteed crediting rate must be greater than or equal to contractual minimum crediting rate | |
| | Composite market value factor | | At December 31, |
| | | 2018 | 0.962521 - 1.005471 (actual = 0.994488) |
| | | 2017 | 0.992941 - 1.037825 (actual = 1.023838) |

The Bank's Benefits Committee evaluates the methodology and factors used, including review of the contract, economic conditions, industry and market developments, and overall credit ratings of the underlying investments.

Limited partnerships – These partnerships invest in limited partnerships, limited liability companies, or similar investment vehicles that consist of PEIs in a wide variety of investment types, including venture and growth capital, real estate, energy and natural resources, and other private investments. The plan's investments are valued by the limited partnerships at NAV as the practical expedient for fair value. The estimation process takes into account the plan's proportional interests credited with realized and unrealized earnings from the underlying investments and charged for operating expenses and distributions. Investments are increased by capital calls and are part of an overall capital commitment by the plan of up to approximately $9 million at December 31, 2018.

The following presents additional information as of December 31, 2018 and 2017 for the pooled separate accounts and limited partnerships whose fair values under Levels 2 and 3 are based on NAV per share:

| Investment | Unfunded commitments *(in millions, approximately)* | Redemption | |
|---|---|---|---|
| | | Frequency | Notice period |
| Pooled separate accounts | na | Daily | < $1 million, 1 day<br>>= $1 million, 3 days |
| Limited partnerships | $ 1 | Investments in these limited partnerships are illiquid and voluntary withdrawal is prohibited. | |

The following reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 inputs:

| *(In millions)* | Level 3 Instruments<br>Guaranteed deposit account<br>Year Ended December 31, 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | $ 9 | $ 11 |
| Purchases | 15 | 17 |
| Sales | (12) | (19) |
| Balance at end of year | $ 12 | $ 9 |

Shares of Bank common stock were 233,849 at both December 31, 2018 and 2017. Dividends received by the plan were not significant in 2018 and 2017.

### *Defined Contribution Plan*

The Bank offers a 401(k) and employee stock ownership plan under which employees select from several investment alternatives. Employees can contribute up to 80% of their earnings subject to the annual maximum allowed contribution. The Bank matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions. Matching contributions to participants, which were shares of the Bank's common stock purchased in the open market, amounted to $29 million in 2018, $26 million in 2017 and 2016.

The 401(k) plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 4% of eligible compensation based upon the Bank's return on average common equity for the year. The profit sharing expense was computed at a contribution rate of 2.50%, 1.75%, and 1% in 2018, 2017, and 2016 respectively. The profit sharing expense was $17 million, $11 million, and $6 million in 2018, 2017, and 2016 respectively. The profit sharing contribution to participants consisted of shares of the Bank's common stock purchased in the open market.

## 18. SHARE-BASED COMPENSATION

We have a share-based compensation incentive plan which allows us to grant stock options, restricted stock, RSUs, and other awards to employees and non-employee directors. Total shares authorized under the plan were 9,000,000 at December 31, 2018, of which 4,407,113 were available for future grants.

All share-based payments to employees, including grants of employee stock options, are recognized in the statement of income based on their grant date values. The value of an equity award is estimated on the grant date using a fair value-based model without regard to service or performance vesting conditions, but does consider post-vesting restrictions.

We classify all share-based awards as equity instruments. Compensation expense is included in salaries and employee benefits in the statement of income, with the corresponding increase included in additional-paid-in-

capital. Substantially all awards of stock options, restricted stock, and RSUs have graded vesting that is recognized on a straight-line basis over the vesting period.

Compensation expense and the related tax benefit for all share-based awards were as follows:

| *(In millions)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Compensation expense | $ 26 | $ 25 | $ 26 |
| Reduction of income tax expense | 14 | 19 | 9 |

During 2017, as a result of our adoption of ASU 2016-09, the tax effects recognized from the exercise of stock options and the vesting of restricted stock and RSUs was recorded as a $9 million reduction of income tax expense. Income tax was reduced by $8 million during 2018 as a result of applying this new accounting standard. Also, upon the adoption of ASU 2016-09, we elected to account for forfeitures of share-based compensation awards as they occur, rather than estimating forfeitures as was previously done. There was no material impact from the cumulative effect adjustment to retained earnings from this change.

Prior to our adoption of ASU 2016-09, the tax effects recognized from the exercise of stock options and the vesting of restricted stock and RSUs increased common stock by approximately $2 million in 2016. This amount is included in the net activity under employee plans and related tax benefits in the statement of changes in shareholders' equity.

During both 2018 and 2017, we reduced share-based compensation expense by $1 million as a result of using a valuation model to estimate a liquidity discount on RSUs with post-vesting restrictions.

As of December 31, 2018, compensation expense not yet recognized for nonvested share-based awards was approximately $25 million, which is expected to be recognized over a weighted average period of 2.4 years.

***Stock Options***

Stock options granted to employees generally vest at the rate of one third each year and expire seven years after the date of grant. For all stock options granted in 2018, 2017, and 2016, we used the Black-Scholes option pricing model to estimate the grant date value of stock options in determining compensation expense. The following summarizes the weighted average value at grant date and the significant assumptions used in applying the Black-Scholes model for options granted:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Weighted average value for options granted | $ 12.64 | $ 10.69 | $ 5.24 |
| Weighted average assumptions used: | | | |
| Expected dividend yield | 2.0% | 1.8% | 1.3% |
| Expected volatility | 27.5% | 30.0% | 30.0% |
| Risk-free interest rate | 2.62% | 1.81% | 1.21% |
| Expected life (in years) | 5.0 | 5.0 | 5.0 |

The assumptions for expected dividend yield, expected volatility, and expected life reflect management's judgment and include consideration of historical experience. Expected volatility is based in part on historical volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

The following summarizes our stock option activity for the three years ended December 31, 2018:

| | Number of shares | Weighted average exercise price |
|---|---|---|
| Balance at December 31, 2015 | 3,804,095 | $ 27.30 |
| Granted | 789,651 | 21.25 |
| Exercised | (1,055,532) | 23.75 |
| Expired | (56,297) | 61.60 |
| Forfeited | (44,007) | 27.66 |
| Balance at December 31, 2016 | 3,437,910 | 26.44 |
| Granted | 195,882 | 44.18 |
| Exercised | (941,761) | 26.03 |
| Expired | (58,257) | 66.20 |
| Forfeited | (73,203) | 25.63 |
| Balance at December 31, 2017 | 2,560,571 | 27.06 |
| Granted | 194,001 | 55.13 |
| Exercised | (729,346) | 26.79 |
| Expired | (2,000) | 25.74 |
| Forfeited | (18,628) | 31.11 |
| Balance at December 31, 2018 | 2,004,598 | 29.85 |
| Outstanding stock options exercisable as of: | | |
| December 31, 2018 | 1,448,244 | $ 26.68 |
| December 31, 2017 | 1,648,367 | 26.55 |
| December 31, 2016 | 1,892,136 | 27.60 |

We issue new authorized common shares for the exercise of stock options. The total intrinsic value of stock options exercised was approximately $20 million in 2018, $17 million in 2017, and $10 million in 2016. Cash received from the exercise of stock options was $18 million in 2018, $23 million in 2017, and $24 million in 2016.

Additional selected information on stock options at December 31, 2018 follows:

| | Outstanding stock options | | | Exercisable stock options | |
|---|---|---|---|---|---|
| Exercise price range | Number of shares | Weighted average exercise price | Weighted average remaining contractual life (years) | Number of shares | Weighted average exercise price |
| $ 0.32 to $19.99 | 122,882 | $ 16.47 | 0.4 [1] | 122,882 | $ 16.47 |
| $20.00 to $24.99 | 486,810 | 21.10 | 3.9 | 262,382 | 21.18 |
| $25.00 to $29.99 | 992,442 | 28.33 | 2.6 | 977,214 | 28.38 |
| $30.00 to $39.99 | 32,191 | 30.10 | 2.4 | 32,191 | 30.10 |
| $40.00 to $44.99 | 178,703 | 44.15 | 5.0 | 53,575 | 44.10 |
| $50.00 to $55.68 | 191,570 | 55.13 | 6.0 | — | — |
| | 2,004,598 | 29.85 | 3.4 [1] | 1,448,244 | 26.68 |

[1] *The weighted average remaining contractual life excludes 21,252 stock options without a fixed expiration date that were assumed with the Amegy acquisition. They expire between the date of termination and one year from the date of termination, depending upon certain circumstances.*

The aggregate intrinsic value of outstanding stock options at December 31, 2018 and 2017 was $25 million and $61 million, respectively, while the aggregate intrinsic value of exercisable options was $21 million and $40 million at the same respective dates. For exercisable options, the weighted average remaining contractual life was 2.7 years and 2.9 years at December 31, 2018 and 2017, respectively, excluding the stock options previously noted without a fixed expiration date. At December 31, 2018, 556,354 stock options with a weighted average exercise price of

$38.08, a weighted average remaining life of 4.9 years, and an aggregate intrinsic value of $5 million, were expected to vest.

***Restricted Stock and Restricted Stock Units***

Restricted stock is common stock with certain restrictions that relate to trading and the possibility of forfeiture. Generally, restricted stock vests over four years. Holders of restricted stock have full voting rights and receive dividend equivalents during the vesting period. In addition, holders of restricted stock can make an election to be subject to income tax on the grant date rather than the vesting date.

RSUs represent rights to one share of common stock for each unit and generally vest over four years. Holders of RSUs receive dividend equivalents during the vesting period, but do not have voting rights.

Compensation expense is determined based on the number of restricted shares or RSUs granted and the market price of our common stock at the issue date.

During 2018, 2017, and 2016, we granted 14,796, 20,711, and 32,310 RSUs, respectively, to non-employee directors. The RSUs vested immediately upon grant.

The following summarizes our restricted stock activity for the three years ended December 31, 2018:

| | Number of shares | Weighted average issue price |
|---|---|---|
| Nonvested restricted shares at December 31, 2015 | 59,370 | $ 23.49 |
| Issued | 36,594 | 24.43 |
| Vested | (32,709) | 20.80 |
| Nonvested restricted shares at December 31, 2016 | 63,255 | 25.43 |
| Issued | 314 | 44.55 |
| Vested | (24,591) | 24.90 |
| Nonvested restricted shares at December 31, 2017 | 38,978 | 25.91 |
| Issued | 21,634 | 42.90 |
| Vested | (14,836) | 26.27 |
| Forfeited | (90) | 55.68 |
| Nonvested restricted shares at December 31, 2018 | 45,686 | 33.78 |

The following summarizes our RSU activity for the three years ended December 31, 2018:

| | Number of restricted stock units | Weighted average grant price |
|---|---|---|
| Restricted stock units at December 31, 2015 | 1,798,543 | $ 27.39 |
| Granted | 1,033,167 | 21.69 |
| Vested | (724,713) | 25.88 |
| Forfeited | (59,839) | 26.28 |
| Restricted stock units at December 31, 2016 | 2,047,158 | 25.08 |
| Granted | 587,396 | 41.78 |
| Vested | (803,492) | 26.19 |
| Forfeited | (121,249) | 28.12 |
| Restricted stock units at December 31, 2017 | 1,709,813 | 30.08 |
| Granted | 461,305 | 53.17 |
| Vested | (699,920) | 29.56 |
| Forfeited | (70,499) | 35.95 |
| Restricted stock units at December 31, 2018 | 1,400,699 | 37.65 |

The total value at grant date of restricted stock and RSUs vested during the year was $21 million in 2018, $22 million in 2017, and $19 million in 2016. At December 31, 2018, 45,686 shares of restricted stock and 907,159 RSUs were expected to vest with an aggregate intrinsic value of $2 million and $37 million, respectively.

## 19. INCOME TAXES

Income tax expense is summarized as follows:

| *(In millions)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Federal: | | | |
| Current | $ 210 | $ 166 | $ 217 |
| Deferred | (1) | 146 | (4) |
| Total Federal | 209 | 312 | 213 |
| State: | | | |
| Current | 49 | 24 | 27 |
| Deferred | 1 | 8 | (4) |
| Total State | 50 | 32 | 23 |
| Total | $ 259 | $ 344 | $ 236 |

Income tax expense computed at the statutory federal income tax rate of 21% for 2018 and 35% for both 2017 and 2016 reconciles to actual income tax expense as follows:

| *(In millions)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Income tax expense at statutory federal rate | $ 240 | $ 327 | $ 247 |
| State income taxes including credits, net | 40 | 21 | 15 |
| Other nondeductible expenses | 15 | 3 | 3 |
| Nontaxable income | (24) | (33) | (25) |
| Share-based compensation | (7) | (8) | — |
| Tax credits and other taxes | — | 1 | (2) |
| Tax Cuts and Jobs Act of 2017 | (2) | 47 | — |
| Other | (3) | (14) | (2) |
| Total | $ 259 | $ 344 | $ 236 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets (“DTA”) and deferred tax liabilities are presented below:

| *(In millions)* | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Gross deferred tax assets: | | |
| Book loan loss deduction in excess of tax | $ 137 | $ 143 |
| Pension and postretirement | 7 | 8 |
| Deferred compensation | 70 | 48 |
| Security investments and derivative fair value adjustments | 78 | 40 |
| Net operating losses, capital losses and tax credits | 2 | 2 |
| FDIC-supported transactions | — | 2 |
| Other | 31 | 34 |
| | 325 | 277 |
| Valuation allowance | — | (2) |
| Total deferred tax assets | 325 | 275 |
| Gross deferred tax liabilities: | | |
| Premises and equipment, due to differences in depreciation | (61) | (51) |
| Federal Home Loan Bank stock dividends | (2) | (3) |
| Leasing operations | (54) | (52) |
| Prepaid expenses | (6) | (5) |
| Prepaid pension reserves | (12) | (11) |
| Mortgage servicing | (8) | (7) |
| Subordinated debt modification | — | (9) |
| Deferred loan fees | (27) | (23) |
| Equity investments | (25) | (21) |
| Total deferred tax liabilities | (195) | (182) |
| Net deferred tax assets | $ 130 | $ 93 |

On December 22, 2017, H.R. 1, known as the Tax Cuts and Jobs Act (“the Act”), was signed into law. The Act made significant changes to the U.S. Internal Revenue Code of 1986, including a decrease in the current corporate federal income tax rate to 21% from 35%, effective January 1, 2018. In conjunction with the enactment of the Act, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the accounting for certain income tax effects of the Act that may not be complete by the time financial statements are issued. The Bank evaluated all available information and made reasonable estimates of the impact of the Act to substantially all components of its net DTA. The provisional impact of the Act on the net DTA resulted in a non-cash charge of $47 million recorded through income tax expense in 2017 related to items such as foregone interest, equity investments in flow-through entities, certain employee compensation arrangements, FDIC-supported transactions and premises and equipment.

During 2018 after filing its 2017 federal and state tax returns, the Bank finalized its analysis of all net DTAs that existed at December 31, 2017 and made a $2 million tax benefit adjustment on net DTAs as a result of the Act. This adjustment offset the provisional amount of $47 million recognized in 2017 to deferred tax expense, resulting in an overall adjustment of $45 million to net DTAs from the Act. The Bank complied with the requirements of SAB 118 as all impacts of the Act were recognized in the financial statements prior to December 22, 2018.

In 2017, the Bank early adopted the guidance in ASU 2018-02, which allows reclassification from AOCI to retained earnings for the stranded tax effects related to the change in the corporate income tax rate from the Act. The early adoption of the guidance resulted in a $25 million increase to retained earnings out of AOCI as of December 31, 2017.

The amount of net DTAs is included with other assets in the balance sheet. The less than $1 million and $2 million valuation allowances at December 31, 2018 and 2017, respectively, were for certain acquired net operating loss carryforwards included in our acquisition of the remaining interests in a less significant subsidiary. At December 31,

2018, excluding the less than $1 million valuation allowance, the tax effect of remaining net operating loss and tax credit carryforwards was $2 million expiring through 2030.

We evaluate the DTAs on a regular basis to determine whether an additional valuation allowance is required. In conducting this evaluation, we have considered all available evidence, both positive and negative, based on the more likely than not criteria that such assets will be realized. This evaluation includes, but is not limited to: (1) available carryback potential to prior tax years; (2) potential future reversals of existing deferred tax liabilities, which historically have a reversal pattern generally consistent with DTAs; (3) potential tax planning strategies; and (4) future projected taxable income. Based on this evaluation, and considering the weight of the positive evidence compared to the negative evidence, we have concluded that an additional valuation allowance is not required as of December 31, 2018.

We have a liability for unrecognized tax benefits relating to uncertain tax positions for tax credits on technology initiatives. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

| *(In millions)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Balance at beginning of year | $ 6 | $ 4 | $ 5 |
| Tax positions related to current year: | | | |
| Additions | 1 | 1 | 1 |
| Reductions | — | — | — |
| Tax positions related to prior years: | | | |
| Additions | 1 | 1 | 1 |
| Reductions | — | — | — |
| Settlements with taxing authorities | — | — | — |
| Lapses in statutes of limitations | — | — | (3) |
| Balance at end of year | $ 8 | $ 6 | $ 4 |

At December 31, 2018 and 2017, the liability for unrecognized tax benefits included approximately $7 million and $5 million, respectively (net of the federal tax benefit on state issues) that, if recognized, would affect the effective tax rate. The amount of gross unrecognized tax benefits that may increase or decrease during the 12 months subsequent to December 31, 2018, is dependent on the timing and outcome of various federal and state examinations that are ongoing.

Interest and penalties related to unrecognized tax benefits are included in income tax expense in the statement of income. At December 31, 2018 and 2017, accrued interest and penalties recognized in the balance sheet, net of any federal and/or state tax benefits, were less than $1 million.

The Bank files income tax returns in U.S. federal and various state jurisdictions. The Bank is no longer subject to income tax examinations for years prior to 2013 for federal returns and 2012 for certain state returns.

## 20. NET EARNINGS PER COMMON SHARE

Basic and diluted net earnings per common share based on the weighted average outstanding shares are summarized as follows:

| *(In millions, except shares and per share amounts)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Basic: | | | |
| Net income | $ 884 | $ 592 | $ 469 |
| Less common and preferred dividends | 236 | 131 | 115 |
| Undistributed earnings | 648 | 461 | 354 |
| Less undistributed earnings applicable to nonvested shares | 5 | 4 | 4 |
| Undistributed earnings applicable to common shares | 643 | 457 | 350 |
| Distributed earnings applicable to common shares | 200 | 88 | 57 |
| Total earnings applicable to common shares | $ 843 | $ 545 | $ 407 |
| Weighted average common shares outstanding (in thousands) | 193,589 | 200,776 | 203,855 |
| Net earnings per common share | $ 4.36 | $ 2.71 | $ 2.00 |
| Diluted: | | | |
| Total earnings applicable to common shares | $ 843 | $ 545 | $ 407 |
| Weighted average common shares outstanding (in thousands) | 193,589 | 200,776 | 203,855 |
| Dilutive effect of common stock warrants (in thousands) | 11,959 | 7,778 | — |
| Dilutive effect of stock options (in thousands) | 953 | 1,099 | 414 |
| Weighted average diluted common shares outstanding (in thousands) | 206,501 | 209,653 | 204,269 |
| Net earnings per common share | $ 4.08 | $ 2.60 | $ 1.99 |

The following schedule presents the weighted average shares of stock awards that were anti-dilutive and not included in the calculation of diluted earnings per share.

| *(In thousands)* | 2018 | 2017 | 2016 |
|---|---|---|---|
| Restricted stock and restricted stock units | 1,602 | 1,936 | 2,216 |

## 21. OPERATING SEGMENT INFORMATION

We manage our operations and prepare management reports and other information with a primary focus on geographical area. Our banking operations are managed under their own individual brand names, including Zions Bank, Amegy Bank, California Bank & Trust, National Bank of Arizona, Nevada State Bank, Vectra Bank Colorado, and The Commerce Bank of Washington. Performance assessment and resource allocation are based upon this geographical structure. We use an internal funds transfer pricing (“FTP”) allocation system to report results of operations for business segments. This process is continually refined. Total average loans and deposits presented for the banking segments include insignificant intercompany amounts between banking segments and may also include deposits with the Other segment.

As of December 31, 2018, our banking business is conducted through 7 locally managed and branded segments in distinct geographical areas. Zions Bank operates 97 branches in Utah, 23 branches in Idaho, and 1 branch in Wyoming. CB&T operates 90 branches in California. Amegy operates 75 branches in Texas. NBAZ operates 58 branches in Arizona. NSB operates 50 branches in Nevada. Vectra operates 36 branches in Colorado and 1 branch in New Mexico. TCBW operates 1 branch in Washington and 1 branch in Oregon.

The operating segment identified as “Other” includes certain nonbank financial service subsidiaries, centralized back-office functions, and eliminations of transactions between segments. The major components of net interest income at the Bank’s back-office include the revenue associated with the investments securities portfolio and the offset of the FTP costs and benefits provided to the business segments. Throughout 2016 consolidation efforts continued, which resulted in transitioning full-time equivalent employees from the business segments to the Bank’s

back-office units. Due to the continuing nature and timing of this change, the Bank's back-office units retained more direct expenses in 2016 than in prior years. In the first quarter of 2017 we made changes to the FTP process and internal allocation of central expenses to better reflect the performance of business segments. Prior period amounts have been revised to reflect the impact of these changes had they been instituted in 2016.

The following schedule does not present total assets or income tax expense for each operating segment, but instead presents average loans, average deposits and income before income taxes because these are the metrics that management uses when evaluating performance and making decisions pertaining to the operating segments. The condensed statement of income identifies the components of income and expense which affect the operating amounts presented in the Other segment.

The accounting policies of the individual operating segments are the same as those of the Bank. Transactions between operating segments are primarily conducted at fair value, resulting in profits that are eliminated for reporting consolidated results of operations.

The following is a summary of selected operating segment information:

| *(In millions)* | Zions Bank | | | Amegy | | | CB&T | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** |
| **SELECTED INCOME STATEMENT DATA** | | | | | | | | | |
| Net interest income | $ 699 | $ 648 | $ 622 | $ 519 | $ 482 | $ 460 | $ 538 | $ 481 | $ 434 |
| Provision for loan losses | 7 | 19 | (22) | (75) | 25 | 163 | 14 | (5) | (9) |
| Net interest income after provision for loan losses | 692 | 629 | 644 | 594 | 457 | 297 | 524 | 486 | 443 |
| Noninterest income | 150 | 151 | 149 | 126 | 118 | 123 | 82 | 75 | 67 |
| Noninterest expense | 463 | 436 | 424 | 338 | 336 | 326 | 309 | 299 | 290 |
| Income before income taxes | $ 379 | $ 344 | $ 369 | $ 382 | $ 239 | $ 94 | $ 297 | $ 262 | $ 220 |
| **SELECTED AVERAGE BALANCE SHEET DATA** | | | | | | | | | |
| Total average loans | $ 12,643 | $ 12,481 | $ 12,538 | $ 11,358 | $ 11,021 | $ 10,595 | $ 10,033 | $ 9,539 | $ 9,211 |
| Total average deposits | 15,874 | 15,986 | 15,991 | 11,160 | 11,096 | 11,130 | 11,268 | 11,030 | 10,827 |

| *(In millions)* | NBAZ | | | NSB | | | Vectra | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** | **2018** | **2017** | **2016** |
| **SELECTED INCOME STATEMENT DATA** | | | | | | | | | |
| Net interest income | $ 231 | $ 204 | $ 190 | $ 151 | $ 131 | $ 122 | $ 137 | $ 127 | $ 120 |
| Provision for loan losses | 7 | (8) | (3) | — | (11) | (28) | 5 | 1 | (8) |
| Net interest income after provision for loan losses | 224 | 212 | 193 | 151 | 142 | 150 | 132 | 126 | 128 |
| Noninterest income | 39 | 40 | 40 | 41 | 40 | 39 | 24 | 25 | 23 |
| Noninterest expense | 153 | 148 | 144 | 144 | 139 | 137 | 105 | 101 | 97 |
| Income before income taxes | $ 110 | $ 104 | $ 89 | $ 48 | $ 43 | $ 52 | $ 51 | $ 50 | $ 54 |
| **SELECTED AVERAGE BALANCE SHEET DATA** | | | | | | | | | |
| Total average loans | $ 4,608 | $ 4,267 | $ 4,086 | $ 2,394 | $ 2,357 | $ 2,284 | $ 2,924 | $ 2,644 | $ 2,469 |
| Total average deposits | 4,931 | 4,762 | 4,576 | 4,286 | 4,254 | 4,137 | 2,761 | 2,756 | 2,720 |

| *(In millions)* | TCBW | | | Other | | | Consolidated Bank | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| **SELECTED INCOME STATEMENT DATA** | | | | | | | | | |
| Net interest income | $ 55 | $ 46 | $ 38 | $ (100) | $ (54) | $ (119) | $ 2,230 | $ 2,065 | $ 1,867 |
| Provision for loan losses | 2 | 2 | — | 1 | 1 | — | (39) | 24 | 93 |
| Net interest income after provision for loan losses | 53 | 44 | 38 | (101) | (55) | (119) | 2,269 | 2,041 | 1,774 |
| Noninterest income | 5 | 5 | 5 | 85 | 90 | 70 | 552 | 544 | 516 |
| Noninterest expense | 22 | 20 | 19 | 144 | 170 | 148 | 1,678 | 1,649 | 1,585 |
| Income (loss) before income taxes | $ 36 | $ 29 | $ 24 | $ (160) | $ (135) | $ (197) | $ 1,143 | $ 936 | $ 705 |
| **SELECTED AVERAGE BALANCE SHEET DATA** | | | | | | | | | |
| Total average loans | $ 1,118 | $ 926 | $ 791 | $ 347 | $ 266 | $ 88 | $ 45,425 | $ 43,501 | $ 42,062 |
| Total average deposits | 1,092 | 1,107 | 1,007 | 1,811 | 1,209 | 207 | 53,183 | 52,200 | 50,595 |

## 22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Financial information by quarter for 2018 and 2017 is as follows:

| *(In millions, except per share amounts)* | Quarters | | | | |
|---|---|---|---|---|---|
| | First | Second | Third | Fourth | Year |
| **2018** | | | | | |
| Gross interest income | $ 588 | $ 606 | $ 631 | $ 656 | $ 2,481 |
| Net interest income | 541 | 548 | 565 | 576 | 2,230 |
| Provision for loan losses | (40) | 5 | (11) | 7 | (39) |
| Noninterest income | 138 | 138 | 136 | 140 | 552 |
| Noninterest expense | 411 | 428 | 420 | 419 | 1,678 |
| Income before income taxes | 308 | 253 | 292 | 290 | 1,143 |
| Net income | 238 | 197 | 223 | 226 | 884 |
| Preferred stock dividends | (7) | (10) | (8) | (9) | (34) |
| Preferred stock redemption | — | — | — | — | — |
| Net earnings applicable to common shareholders | 231 | 187 | 215 | 217 | 850 |
| Net earnings per common share: | | | | | |
| Basic | 1.16 | 0.95 | 1.11 | 1.14 | 4.36 |
| Diluted | 1.08 | 0.88 | 1.04 | 1.08 | 4.08 |
| **2017** | | | | | |
| Gross interest income | $ 515 | $ 558 | $ 557 | $ 562 | $ 2,192 |
| Net interest income | 489 | 528 | 522 | 526 | 2,065 |
| Provision for loan losses | 23 | 7 | 5 | (11) | 24 |
| Noninterest income | 132 | 132 | 140 | 140 | 544 |
| Noninterest expense | 414 | 405 | 413 | 417 | 1,649 |
| Income before income taxes | 184 | 248 | 244 | 260 | 936 |
| Net income | 139 | 168 | 161 | 124 | 592 |
| Preferred stock dividends | (10) | (12) | (8) | (10) | (40) |
| Preferred stock redemption | — | (2) | — | — | (2) |
| Net earnings applicable to common shareholders | 129 | 154 | 153 | 114 | 550 |
| Net earnings per common share: | | | | | |
| Basic | 0.63 | 0.76 | 0.75 | 0.57 | 2.71 |
| Diluted | 0.61 | 0.73 | 0.72 | 0.54 | 2.60 |

Certain prior period amounts have been reclassified to conform with the current year presentation. These reclassifications did not affect net income. See related discussion in Note 1. Individual quarter information may be different than previously reported due to rounding.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

The Bank's management, with the participation of the Bank's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Banks's disclosure controls and procedures as of December 31, 2018. Based on that evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were effective as of December 31, 2018. There were no changes in the Bank's internal control over financial reporting during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting. See "Report on Management's Assessment of Internal Control over Financial Reporting" included in Item 8 on page 76 for management's report on the adequacy of internal control over financial reporting. Also see "Report on Internal Control over Financial Reporting" issued by Ernst & Young LLP included in Item 8 on page 77.

## ITEM 9B. OTHER INFORMATION

None.

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from the Bank's Proxy Statement to be subsequently filed.

## ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the Bank's Proxy Statement to be subsequently filed.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

## EQUITY COMPENSATION PLAN INFORMATION

The following schedule provides information as of December 31, 2018 with respect to the shares of the Bank's common stock that may be issued under existing equity compensation plans.

| | (a) | (b) | (c) |
|---|---|---|---|
| **Plan category [1]** | **Number of securities to be issued upon exercise of outstanding options, warrants and rights** | **Weighted average exercise price of outstanding options, warrants and rights** | **Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** |
| **Equity compensation plan approved by security holders:** | | | |
| Zions Bancorporation, N.A. 2015 Omnibus Incentive Plan | 1,269,127 | $ 31.96 | 4,407,113 |

[1] *Column (a) excludes 45,686 shares of unvested restricted stock, 1,400,699 RSUs (each unit representing the right to one share of common stock), and 714,219 shares of common stock issuable upon the exercise of stock options, with a weighted average exercise price of $26.83, granted under the prior plan. The schedule also excludes 21,252 shares of common stock issuable upon the exercise of stock options, with a weighted average exercise price of $5.02, granted under plans assumed in mergers that are outstanding.*

Other information required by Item 12 is incorporated by reference from the Bank's Proxy Statement to be subsequently filed.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the Bank's Proxy Statement to be subsequently filed.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the Bank's Proxy Statement to be subsequently filed.

# PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial statements – The following consolidated financial statements of Zions Bancorporation, N.A. and subsidiaries are filed as part of this Form 10-K under Item 8, Financial Statements and Supplementary Data:

Consolidated balance sheets – December 31, 2018 and 2017

Consolidated statements of income – Years ended December 31, 2018, 2017 and 2016

Consolidated statements of comprehensive income – Years ended December 31, 2018, 2017 and 2016

Consolidated statements of changes in shareholders' equity – Years ended December 31, 2018, 2017 and 2016

Consolidated statements of cash flows – Years ended December 31, 2018, 2017 and 2016

Notes to consolidated financial statements – December 31, 2018

(2) Financial statement schedules – All financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and have therefore been omitted.

(3) List of Exhibits:

| Exhibit Number | Description | |
|---|---|---|
| 2.1 | Amended and Restated Agreement and Plan of Merger, dated as of July 10, 2018, by and between Zions Bancorporation and ZB, National Association, incorporated by reference to Exhibit 2.1 of Form 8-K filed on October 2, 2018. | * |
| 3.1 | Second Amended and Restated Articles of Association of Zions Bancorporation, National Association, incorporated by reference to Exhibit 3.1 of Form 8-K filed on October 2, 2018. | * |
| 3.2 | Amended and Restated Bylaws of Zions Bancorporation, National Association, incorporated by reference to Exhibit 3.2 of Form 8-K filed on October 2, 2018. | * |
| 4.1 | Senior Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to senior debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.1 of Form 10-K for the year ended December 31, 2017. | * |
| 4.2 | First Supplemental Indenture dated April 21, 2014 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.2 of Form S-3 (File No. 333-195408) filed on April 21, 2014. | * |

| Exhibit Number | Description | |
|---|---|---|
| 4.3 | Second Supplemental Indenture, dated as of September 30, 2018, by and among The Bank of New York Mellon Trust Company, N.A., as Trustee, ZB, National Association and Zions Bancorporation, incorporated by reference to Exhibit 4.1 of Form 8-K filed on October 2, 2018. | * |
| 4.4 | Subordinated Debt Indenture dated September 10, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to subordinated debt securities of Zions Bancorporation, incorporated by reference to Exhibit 4.2 of Form 10-K for the year ended December 31, 2017. | * |
| 4.5 | Supplemental Indenture dated June 30, 2009 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee (filed herewith). | |
| 4.6 | Second Supplemental Indenture dated November 5, 2013 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee (filed herewith). | |
| 4.7 | Third Supplemental Indenture dated April 21, 2014 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.6 of Form S-3 (File No. 333-195408) filed on April 21, 2014. | * |
| 4.8 | Fourth Supplemental Indenture, dated as of September 30, 2018, by and among The Bank of New York Mellon Trust Company, N.A., as Trustee, ZB, National Association and Zions Bancorporation, incorporated by reference to Exhibit 4.2 of Form 8-K filed on October 2, 2018. | * |
| 4.9 | Junior Subordinated Indenture dated August 21, 2002 between Zions Bancorporation and The Bank of New York Mellon Trust Company, N.A. as successor to J.P. Morgan Trust Company, N.A., as trustee, with respect to junior subordinated debentures of Zions Bancorporation, incorporated by reference to Exhibit 4.3 of Form 10-K for the year ended December 31, 2017. | * |
| 4.10 | Warrant to purchase up to 5,789,909 shares of Common Stock, issued on November 14, 2008, incorporated by reference to Exhibit 4.4 of Form 10-K for the year ended December 31, 2013. | * |
| 4.11 | Warrant Agreement, between Zions Bancorporation and Zions First National Bank (now known as Zions Bancorporation, National Association), and Warrant Certificate, incorporated by reference to Exhibit 4.5 of Form 10-K for the year ended December 31, 2016. | * |
| 4.12 | First Amendment to Warrant Agreement, dated as of September 30, 2018, by and between Zions Bancorporation and ZB, National Association, incorporated by reference to Exhibit 4.3 of Form 10-Q for the quarter ended September 30, 2018. | * |
| 10.1 | Zions Bancorporation 2016-2018 Value Sharing Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2016. | * |
| 10.2 | Zions Bancorporation 2017-2019 Value Sharing Plan, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2017. | * |
| 10.3 | Zions Bancorporation 2018-2020 Value Sharing Plan, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended June 30, 2018. | * |
| 10.4 | Zions Bancorporation 2017 Management Incentive Compensation Plan, incorporated by reference to Appendix I of the Bank’s Proxy Statement dated April 14, 2016. | * |

| Exhibit Number | Description | |
|---|---|---|
| 10.5 | Zions Bancorporation Third Restated and Revised Deferred Compensation Plan (filed herewith). | |
| 10.6 | Zions Bancorporation Fourth Restated Deferred Compensation Plan for Directors (filed herewith). | |
| 10.7 | Amendment to the Zions Bancorporation Fourth Restated Deferred Compensation Plan for Directors, incorporated by reference to Exhibit 10.8 of Form 10-K for the year ended December 31, 2015. | * |
| 10.8 | Amegy Bancorporation, Inc. Fifth Amended and Restated Non-Employee Directors Deferred Fee Plan (Frozen upon merger with Zions Bancorporation in 2005) (filed herewith). | |
| 10.9 | Zions Bancorporation Executive Management Pension Plan, incorporated by reference to Exhibit 10.18 of Form 10-K for the year ended December 31, 2014. | * |
| 10.10 | Zions Bancorporation First Restated Excess Benefit Plan, incorporated by reference to Exhibit 10.8 of Form 10-K for the year ended December 31, 2014. | * |
| 10.11 | Amegy Bancorporation 2004 (formerly Southwest Bancorporation of Texas, Inc.) Omnibus Incentive Plan, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2015. | * |
| 10.12 | Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB effective October 1, 2002 (filed herewith). | |
| 10.13 | Amendment to the Trust Agreement Establishing the Zions Bancorporation Deferred Compensation Plans Trust, effective September 1, 2006 (filed herewith). | |
| 10.14 | Amendment to the Trust Agreement establishing the Zions Bancorporation Deferred Compensation Plan Trust by and between Zions Bancorporation and Cigna Bank & Trust Company, FSB substituting Prudential Bank & Trust, FSB as the trustee, incorporated by reference to Exhibit 10.12 of Form 10-K for the year ended December 31, 2016. | * |
| 10.15 | Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 1, 2006 (filed herewith). | |
| 10.16 | Revised schedule C to Zions Bancorporation Deferred Compensation Plans Master Trust between Zions Bancorporation and Fidelity Management Trust Company, effective September 13, 2006 (filed herewith). | |
| 10.17 | Third Amendment to the Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, dated June 13, 2012, incorporated by reference to Exhibit 10.17 of Form 10-K for the year ended December 31, 2017. | * |
| 10.18 | Fifth Amendment to the Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans (filed herewith). | |
| 10.19 | Sixth Amendment to the Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, dated August 17, 2015, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2015. | * |

| Exhibit Number | Description | |
|---|---|---|
| 10.20 | Seventh Amendment to the Trust Agreement between Fidelity Management Trust Company and Zions Bancorporation for the Deferred Compensation Plans, effective September 30, 2018, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended September 30, 2018. | * |
| 10.21 | Second Amendment to the Zions Bancorporation Pension Plan, dated July 17, 2017, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended June 30, 2017. | * |
| 10.22 | Third Amendment to the Zions Bancorporation Pension Plan, dated October 30, 2017, incorporated by reference to Exhibit 10.1 of Form 10-Q for the quarter ended September 30, 2018. | * |
| 10.23 | Zions Bancorporation Restated Pension Plan effective January 1, 2009, including amendments adopted through December 31, 2013, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended June 30, 2018. | * |
| 10.24 | First Amendment to the Zions Bancorporation Restated Pension Plan, effective October 1, 2018, dated October 29, 2018 (filed herewith). | |
| 10.25 | Second Amendment to the Zions Bancorporation Restated Pension Plan, effective December 31, 2018, dated December 31, 2018 (filed herewith). | |
| 10.26 | Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, Restated and Amended effective January 31, 2007, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended June 30, 2018. | * |
| 10.27 | Second Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan, dated December 31, 2018, effective January 1, 2019 (filed herewith). | |
| 10.28 | Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated July 3, 2006 (filed herewith). | |
| 10.29 | First Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.25 of Form 10-K for the year ended December 31, 2015. | * |
| 10.30 | Second Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 5, 2010, incorporated by reference to Exhibit 10.26 of Form 10-K for the year ended December 31, 2015. | * |
| 10.31 | Third Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 30, 2010, incorporated by reference to Exhibit 10.27 of Form 10-K for the year ended December 31, 2015. | * |
| 10.32 | Fourth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated October 1, 2014, incorporated by reference to Exhibit 10.25 of Form 10-K for the year ended December 31, 2014. | * |
| 10.33 | Fifth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated October 1, 2014, incorporated by reference to Exhibit 10.26 of Form 10-K for the year ended December 31, 2014. | * |

| Exhibit Number | Description | |
|---|---|---|
| 10.34 | Sixth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated August 17, 2015, incorporated by reference to Exhibit 10.2 of Form 10-Q for the quarter ended September 30, 2015. | * |
| 10.35 | Seventh Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, dated April 27, 2016, incorporated by reference to Exhibit 10.31 of Form 10-K for the year ended December 31, 2016. | * |
| 10.36 | Eighth Amendment to the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust Agreement between Zions Bancorporation and Fidelity Management Trust Company, effective September 30, 2018, incorporated by reference to Exhibit 10.3 of Form 10-Q for the quarter ended September 30, 2018. | * |
| 10.37 | Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.1 of Form S-8 filed on July 1, 2015. | * |
| 10.38 | Form of Restricted Stock Award Agreement subject to holding requirement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.2 of Form S-8 filed on July 1, 2015. | * |
| 10.39 | Form of Standard Restricted Stock Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.3 of Form S-8 filed on July 1, 2015. | * |
| 10.40 | Form of Standard Restricted Stock Unit Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.4 of Form S-8 filed on July 1, 2015. | * |
| 10.41 | Form of Restricted Stock Unit Agreement subject to holding requirement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.5 of Form S-8 filed on July 1, 2015. | * |
| 10.42 | Form of Standard Stock Option Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.6 of Form S-8 filed on July 1, 2015. | * |
| 10.43 | Form of Standard Directors Stock Award Agreement, Zions Bancorporation 2015 Omnibus Incentive Plan, incorporated by reference to Exhibit 4.7 of Form S-8 filed on July 1, 2015. | * |
| 10.44 | Form of Change in Control Agreement between the Bank and Certain Executive Officers (filed herewith). | |
| 10.45 | Addendum to Change in Control Agreement, incorporated by reference to Exhibit 10.38 of Form 10-K for the year ended December 31, 2014. | * |
| 10.46 | Form of Change in Control Agreement between the Bank and Dallas E. Haun, dated May 23, 2008, incorporated by reference to Exhibit 10.39 of Form 10-K for the year ended December 31, 2014. | * |
| 21 | List of Subsidiaries of Zions Bancorporation, National Association (filed herewith). | |
| 23 | Consent of Independent Registered Public Accounting Firm (filed herewith). | |
| 31.1 | Certification by Chief Executive Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith). | |

| Exhibit Number | Description |
|---|---|
| 31.2 | Certification by Chief Financial Officer required by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 (filed herewith). |
| 32 | Certification by Chief Executive Officer and Chief Financial Officer required by Sections 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and 18 U.S.C. Section 1350 (furnished herewith). |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017, (ii) the Consolidated Statements of Income for the years ended December 31, 2018, December 31, 2017, and December 31, 2016, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, December 31, 2017, and December 31, 2016, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2018, December 31, 2017, and December 31, 2016, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2018, December 31, 2017, and December 31, 2016 and (vi) the Notes to Consolidated Financial Statements (filed herewith). |

** Incorporated by reference*

*Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC and the OCC, upon request, copies of any such instruments.*

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 25, 2019 ZIONS BANCORPORATION

By /s/ Harris H. Simmons

**HARRIS H. SIMMONS, Chairman and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

February 25, 2019

/s/ Harris H. Simmons

**HARRIS H. SIMMONS, Director, Chairman and Chief Executive Officer (Principal Executive Officer)**

/s/ Paul E. Burdiss

**PAUL E. BURDISS, Executive Vice President and Chief Financial Officer (Principal Financial Officer)**

/s/ Alexander J. Hume

**ALEXANDER J. HUME, Controller (Principal Accounting Officer)**

/s/ Jerry C. Atkin

**JERRY C. ATKIN, Director**

/s/ Gary L. Crittenden

**GARY L. CRITTENDEN, Director**

/s/ Suren K. Gupta

**SUREN K. GUPTA, Director**

/s/ J. David Heaney

**J. DAVID HEANEY, Director**

/s/ Vivian S. Lee

**VIVIAN S. LEE, Director**

/s/ Scott J. McLean

**SCOTT J. MCLEAN, Director**

/s/ Edward F. Murphy

**EDWARD F. MURPHY, Director**

/s/ Roger B. Porter

**ROGER B. PORTER, Director**

/s/ Stephen D. Quinn

**STEPHEN D. QUINN, Director**

/s/ Barbara A. Yastine

**BARBARA A. YASTINE, Director**



# Section 2: EX-4.5 (SUPPLEMENTAL INDENTURE DATED JUNE 30, 2009)

EXHIBIT 4.5

ZIONS BANCORPORATION

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
*Trustee*

SUPPLEMENTAL INDENTURE

Dated as of June 30, 2009

To the Subordinated Indenture, dated as of September 10, 2002,
between Zions Bancorporation
and
The Bank of New York Mellon Trust Company, N.A., as Trustee

$34,680,000 5.65% Subordinated Notes Due May 15, 2014
$80,445,000 6.00% Subordinated Notes Due September 15, 2015
$115,010,000 5.50% Subordinated Notes Due November 16, 2015

**TABLE OF CONTENTS**

| | | PAGE |
|---|---|---|
| ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION | | 2 |
| Section 1.01 | Definitions | 2 |
| Section 1.02 | Effect of Headings and Table of Contents | 3 |
| Section 1.03 | Separability Clause | 3 |
| Section 1.04 | Limited Application of Supplemental Indenture | 3 |
| Section 1.05 | Governing Law | 3 |
| ARTICLE TWO COVENANTS | | 5 |
| Section 2.01 | Conversion Privilege | 5 |
| Section 2.02 | Conversion Agent | 5 |
| Section 2.03 | Reservation of Preferred Stock | 5 |
| Section 2.04 | Cancellation of Converted Securities | 6 |
| ARTICLE THREE CONVERSION | | 6 |
| Section 3.01 | Conversion Procedures | 6 |
| Section 3.02 | Treatment of Interest | 7 |
| Section 3.03 | Taxes on Conversion | 7 |




SUPPLEMENTAL INDENTURE, dated as of June 30, 2009 (the "Supplemental Indenture"), between ZIONS BANCORPORATION, a corporation duly organized and existing under the laws of the State of Utah (the "Company"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as successor trustee (the "Trustee") under the Subordinated Indenture, dated as of September 10, 2002, between the Company and J.P. Morgan Trust Corporation, National Association (the "Indenture").

**RECITALS OF THE COMPANY**

WHEREAS, the Company and the Trustee are parties to the Indenture, which provides for the issuance from time to time of subordinated debt securities of the Company;

WHEREAS, pursuant to resolutions of the Board of Directors of the Company adopted on June 27, 2003, the Company validly issued Securities under the Indenture designated 5.65% Subordinated Notes due 2014, CUSIP 989701AL1 (the "Outstanding 5.65% Notes");

WHEREAS, pursuant to resolutions of the Board of Directors of the Company adopted on June 27, 2003, the Company validly issued Securities under the Indenture designated 6.00% Subordinated Notes due 2015, CUSIP 989701AJ6 (the "Outstanding 6.00% Notes");

WHEREAS, pursuant to resolutions of the Board of Directors of the Company adopted on July 19, 2004 and October 28, 2005, the Company validly issued Securities under the Indenture designated 5.50% Subordinated Notes due 2015, CUSIP 989701AM9 (the "Outstanding 5.50% Notes," and together with the Outstanding 5.65% Notes and the Outstanding 6.00% Notes, the "Outstanding Notes");

WHEREAS, Section 901(2) of the Indenture permits supplements thereto without the consent of Holders of Securities to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities;

WHEREAS, on May 29, 2009, the Board of Directors of the Company adopted resolutions by unanimous written consent (the "Resolutions") authorizing the Company to enter into a supplemental indenture with the Trustee to provide for the right of the Holders of the Outstanding Notes to convert the Outstanding Notes into depositary shares representing interests in either the Company's Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock (the "Series A Preferred Stock"), the Company's 9.50% Series C Non-Cumulative Perpetual Preferred Stock (the "Series C Preferred Stock," and together with the Series A Preferred Stock, the "Preferred Stock") and/or another series or class of the securities of the Company or otherwise, upon such terms and conditions as may be determined by the Authorized Officers (as defined in the Resolutions); and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Company and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the terms of the Outstanding Notes have been done.

NOW, THEREFORE, in consideration of the premises and the other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company covenants and agrees with the Trustee, for the equal and ratable benefit of the Holders of the Outstanding Notes, that the Indenture as it relates to the terms of the Outstanding Notes is supplemented and amended, to the extent expressed herein, as follows:

## ARTICLE ONE
## DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

**Section 1.01 Definitions.** Except as otherwise expressly provided or unless the context otherwise requires, all terms used in this Supplemental Indenture which are defined in the Indenture shall have the meanings ascribed to them by the Indenture. The following terms used in this Supplemental Indenture have the following respective meanings:

"Applicable Procedures" means with respect to any transfer or transaction involving a Global Security or a beneficial interest therein, the rules and procedures of DTC or any successor Depositary, in each case to the extent applicable to such transaction and as in effect from time to time.

"Conversion Agent" means the person appointed by the Company to whom the Outstanding Notes may be presented for conversion. The Conversion Agent appointed by the Company shall initially be the Trustee.

"Conversion Date" means the Interest Payment Date on which a conversion is to be effective pursuant to procedures described in Section 3.01.

"Converting Holder" means a Holder of an Outstanding Note who elects to convert one or more Outstanding Notes held by such Holder through the conversion procedures specified in Article 3.

"Deposit Agreement" has the meaning specified in Section 2.01.

"Depositary Shares" has the meaning specified in Section 2.01.

"DTC" means The Depository Trust Company.

"Interest Payment Date" when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Notice of Conversion" means an irrevocable written notice to the Conversion Agent in the form set forth in Exhibit A stating the series and principal amount of Outstanding Notes to be converted, the series of Preferred Stock into which such Outstanding Notes are to be converted, and the name or names (with addresses) in which such Converting Holder wishes the Depositary Shares to be delivered.

"Outstanding 5.65% Notes" has the meaning specified in the Recitals.

"Outstanding 6.00% Notes" has the meaning specified in the Recitals.

"Outstanding 5.50% Notes" has the meaning specified in the Recitals.

"Outstanding Notes" has the meaning specified in the Recitals.

"Preferred Stock" has the meaning specified in the Recitals.

"Series A Deposit Agreement" has the meaning specified in Section 2.01.

"Series A Preferred Stock" has the meaning specified in the Recitals.

"Series C Deposit Agreement" has the meaning specified in Section 2.01.

"Series C Preferred Stock" has the meaning specified in the Recitals.

**Section 1.02 Effect of Headings and Table of Contents.** The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

**Section 1.03 Separability Clause.** In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 1.04 Limited Application of Supplemental Indenture.** Except as expressly provided in Section 1.07 hereof, each and every term and condition contained in this Supplemental Indenture that modifies, amends or supplements the terms and conditions of the Indenture shall apply only to the Outstanding Notes described in the Recitals and not to any other currently existing or future series of Securities established under the Indenture. Except as expressly contemplated hereby, this Supplemental Indenture shall not operate as a modification of the rights or obligations of the parties hereto or the Holders of the Outstanding Notes under any other terms of the Indenture or the Outstanding Notes, and all such other terms shall remain in full force and effect and are otherwise confirmed and ratified in all respects.

**Section 1.05 Governing Law.** This Supplemental Indenture shall be governed by and construed in accordance with the law of the State of New York.

**Section 1.06 Concerning the Trustee and the Conversion Agent.**

In acting under and by virtue of this Supplemental Indenture, the Trustee shall have all of the rights, protections and immunities given to it in the Indenture. The recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture. The Trustee shall not be accountable for and makes no representation as to the validity or value of any securities or assets issued upon conversion of the Outstanding Notes, including, without limitation, the Depositary Shares and the Preferred Stock, and shall have no duties or responsibilities under or in respect of the Deposit Agreements or with respect to the delivery of the Depositary Shares representing interests in the Preferred Stock. The Conversion Agent shall have the same protection under this Supplemental Indenture and the Indenture as the Trustee.

**Section 1.07 Amendments to the Indenture.**

(1) Article One of the Indenture is hereby amended to add the following:

"SECTION 114. *Electronic or Facsimile Communication.*

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by the Company by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that (a) subsequent to such transmission of written instructions, the Company shall provide the originally executed instructions or directions to the Trustee in a timely manner, and (b) such originally executed instructions or directions shall be signed by an authorized representative of the Company providing such instructions or directions. If the Company elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Company agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties."

"SECTION 115. WAIVER OF JURY TRIAL.

**EACH OF THE COMPANY AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE BONDS OR THE TRANSACTIONS CONTEMPLATED HEREBY."**

(2) Section 603 of the Indenture is hereby amended to add the following:

"(8) in no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action; and

"(9) in no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances."

## ARTICLE TWO
## COVENANTS

**Section 2.01 Conversion Privilege.** Upon surrender of any Outstanding Note, or any portion of the principal amount thereof which has a minimum denomination of $1,000 and is an integral multiple of $1,000, for conversion in accordance with the provisions of Article 3, the Company shall, or shall cause, as applicable, the Series A Depositary or Series C Depositary (each as hereinafter defined) to, deliver to a Converting Holder, at the option of each such Converting Holder, either (A) depositary receipts evidencing such number of depositary shares issued pursuant to the deposit agreement, dated as of December 7, 2006, as amended from time to time, among the Company, Zions First National Bank , as depositary (the "Series A Depositary"), and the holders of depositary receipts (the "Series A Deposit Agreement") as shall be the equivalent of an aggregate amount of $1,000 liquidation preference of the Company's Series A Preferred Stock for each $1,000 in aggregate principal amount of Outstanding Notes so surrendered or (B) depositary receipts evidencing such number of depositary shares issued pursuant to the deposit agreement, dated as of July 8, 2008, as amended from time to time, among the Company, Zions First National Bank, as depositary (the "Series C Depositary"), and the holders of depositary receipts (the "Series C Deposit Agreement", each of the Series A Deposit Agreement and Series C Deposit Agreement, a "Deposit Agreement") as shall be the equivalent of an aggregate amount of $1,000 liquidation preference of the Company's Series C Preferred Stock for each $1,000 in aggregate principal amount of Outstanding Notes so surrendered (such depositary shares representing shares of Series A Preferred Stock and/or Series C Preferred Stock, collectively and individually, the "Depositary Shares").

**Section 2.02 Conversion Agent.** The Company shall maintain an office or agency where the Notes may be surrendered for conversion. The Company hereby initially designates the Trustee as Conversion Agent, and the Corporate Trust Office of the Trustee as the office or agency of the Company where the Outstanding Notes may be surrendered for conversion.

**Section 2.03 Reservation of Preferred Stock.** The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued and undesignated preferred stock, for the purpose of effecting the conversion of the Outstanding Notes, the full number of shares of its preferred stock then issuable upon the conversion of all of the Outstanding Notes. Unless the Company shall have previously designated as Series A Preferred Stock and Series C Preferred Stock a sufficient number of shares of Preferred Stock to accommodate the issuance of the maximum number of shares of Series A Preferred Stock and Series C Preferred Stock as would be issuable if all of the Outstanding Notes were exercised for one of such series, upon notice of conversion by a Converting Holder in accordance with the provisions of Article 3, the Company shall promptly designate or cause to be designated as Series A Preferred Stock and/or Series C Preferred Stock, as the case may be, the number of shares of preferred stock, out of the preferred stock reserved for such purpose, as is necessary to accommodate the issuance upon conversion of Outstanding Notes into the Depositary Shares, as the Converting Holder may in the aggregate request in such notice of conversion.

**Section 2.04 Cancellation of Converted Securities.** All Outstanding Notes delivered for conversion shall be delivered to the Trustee to be cancelled by or at the direction of the Trustee, which shall dispose of the same as provided in Section 309 of the Indenture.

## ARTICLE THREE
## CONVERSION

**Section 3.01 Conversion Procedures.**

(1) The following procedures shall apply to the conversion of Outstanding Notes:

(A) In respect of Outstanding Notes that are not issued as a Global Security, the right of conversion attaching to any such Outstanding Note may be exercised by a Converting Holder by delivering the Outstanding Notes at the specified office of the Conversion Agent, accompanied by a duly signed and completed Notice of Conversion, together with any funds that may be required, no later than 5:00 p.m. New York City time on the day that is at least 20 business days prior to the

Conversion Date (or July 10, 2009, with respect to a conversion to be effective on July 22, 2009). The Notice of Conversion is attached hereto as Exhibit A or may be obtained from the Conversion Agent. Any Notice of Conversion which, in the discretion of the Conversion Agent or applicable Depositary, is not properly completed and duly executed shall be rejected and returned to the Holder.

(B) In respect of Outstanding Notes that are issued as a Global Security, a beneficial owner of an interest in such Outstanding Notes may exercise the right of conversion by complying with the Applicable Procedures, and delivering any funds that may be required, no later than 5:00 p.m. New York City time on the day that is at least 20 business days prior to the Conversion Date (or July 10, 2009, with respect to a conversion to be effective on July 22, 2009), or earlier as the Applicable Procedures may specify.

(2) The conversion of any Outstanding Note in accordance with the provisions hereof shall become effective as of the first Interest Payment Date for such Outstanding Note that is at least 20 business days following the date on which the Notice of Conversion was received pursuant to Section 3.01(1)(A) or the Applicable Procedures were followed pursuant to Section 3.01(1)(B), as applicable; provided however, that for any Notice of Conversion received or in the event the Applicable Procedures are followed prior to July 10, 2009, the conversion shall become effective as of July 22, 2009. For the purposes of this Section 3.01, a business day shall be deemed to end at 5:00 p.m. New York City time.

(3) The Conversion Agent shall promptly upon receipt of a Notice of Conversion, provide a copy of such Notice of Conversion to the the Series A Depositary or Series C Depositary, as applicable, at the below specified address, or at such other address as may from time to time be specified in writing to the Trustee:

| | |
|---|---|
| Series A Depositary: | Zions First National Bank<br>10 East South Temple, 12th Floor<br>Salt Lake City, UT 84133<br>Attn: Shelene Brown |
| Series C Depositary: | Zions First National Bank<br>10 East South Temple, 12th Floor<br>Salt Lake City, UT 84133<br>Attn: Shelene Brown |

(4) Upon receipt of such Notice of Conversion, the applicable Depositary shall cause the Depositary Shares to be issued to the Converting Holder in accordance with the instruction letter provided to it by the Company under the Deposit Agreement.

**Section 3.02 Treatment of Interest.** Converting Holders will be entitled to receive accrued but unpaid interest for the interest period ending on the Conversion Date. However, Converting Holders who elect to convert their Outstanding Notes effective July 22, 2009 will be deemed to have forfeited and will not be paid accrued interest through such date. A holder of Depositary Shares which are issued upon conversion to such Converting Holder will be entitled to receive dividends for the then current dividend period, if declared by the Company's Board of Directors, only if such Converting Holder is the holder of record of such Depositary Shares on the applicable record date and otherwise in accordance with the terms and conditions of the applicable Deposit Agreement.

**Section 3.03 Taxes on Conversion.** A Holder delivering an Outstanding Note for conversion will not be required to pay any taxes or duties payable in respect of the issue or delivery of Depositary Shares upon such conversion; provided, however, such Converting Holder will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue or delivery of the Depositary Shares in a name other than the Holder of the Outstanding Note. Interests in the Depositary Shares will not be issued or delivered unless all taxes and duties, if any, payable by the Holder have been paid. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the day and year first above written.

ZIONS BANCORPORATION

By: /S/ DOYLE L. ARNOLD

Doyle L. Arnold
Chief Financial Officer

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: /S/ RAYMOND TORRES

*Authorized Officer*

**Exhibit A**

**Form of Notice of Conversion**

NOTICE OF CONVERSION

The undersigned Holder of the attached Outstanding Note(s) hereby irrevocably exercises the option to convert such Outstanding Note(s), or any portion of the principal amount (which is U.S. $1,000 or an integral multiple of U.S. $1,000 in excess thereof, *provided* that the unconverted portion of such principal amount is U.S. $1,000 or any integral multiple of U.S. $1,000 in excess thereof) below designated, into, in the discretion of the Holder, (a) Depositary Shares representing Series A Preferred Stock and/or (b) Depositary Shares representing Series C Preferred Stock, in accordance with the terms of the Supplemental Indenture, and directs that such Depositary Shares and any Outstanding Notes representing any unconverted principal amount hereof, be delivered to and be registered in the name of the undersigned unless a different name has been indicated below. If Depositary Shares or Outstanding Notes are to be registered in the name of a Person other than the undersigned, (a) the undersigned shall pay all transfer taxes payable with respect thereto and (b) signature(s) must be guaranteed by an Eligible Guarantor Institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Dated: ____________________ ________________________________________
Signature(s)

If Depositary Shares or Outstanding Notes are to be registered in the name of a Person other than the Holder, please print such Person's name and address:

________________________________________
(Name)

________________________________________

________________________________________
(Address)

________________________________________
Social Security or other Identification Number, if any

________________________________________
[Signature Guaranteed]

Please indicate:

1. Principal amount of Outstanding 5.65% Notes to be converted (if any): U.S. $______

2. Principal amount and denomination of Outstanding 5.65% Notes representing unconverted principal amount to be issued (if any): __________

Amount: U.S. $______ Denominations: U.S. $______

3. Principal amount of Outstanding 6.00% Note to be converted (if any): U.S. $______

4. Principal amount and denomination of Outstanding 6.00% Notes representing unconverted principal amount to be issued (if any): __________

Amount: U.S. $______ Denominations: U.S. $______

5. Principal amount of Outstanding 5.50% Note to be converted (if any): U.S. $______

6. Principal amount and denomination of Outstanding 5.50% Notes representing unconverted principal amount to be issued (if any): __________

Amount: U.S. $______ Denominations: U.S. $______

7. Total principal amount of Outstanding Notes to be converted: U.S. $______ (amount must equal the sum of the amounts entered on lines 1, 3 and 5)

8. Aggregate amount of $1,000 liquidation preference of Depositary Shares, representing an interest in the Series A Preferred Stock, into which the Outstanding Note (s) shall be converted: U.S. $______

9. Aggregate amount of $1,000 liquidation preference of Depositary Shares, representing an interest in the Series C Preferred Stock, into which the Outstanding Note (s) shall be converted: U.S. $______

The sum of the amounts listed on lines 8 and 9 must equal the aggregate principal amount of Outstanding Notes to be converted on line 7.

(Back To Top)

# Section 3: EX-4.6 (SECOND SUPPLEMENTAL INDENTURE DATED NOVEMBER 5, 2013)

EXHIBIT 4.6

**SUPPLEMENTAL INDENTURE**

**ZIONS BANCORPORATION**

**SECOND SUPPLEMENTAL INDENTURE**
**DATED AS OF NOVEMBER 5, 2013**

**The Bank of New York Mellon Trust Company, N.A. as Trustee**
**SECOND SUPPLEMENTAL INDENTURE**

SECOND SUPPLEMENTAL INDENTURE ("Supplemental Indenture") dated as of November 5, 2013, between Zions Bancorporation, a corporation duly organized and existing under the laws of the State of Utah (the "Company") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee").

**RECITALS OF THE COMPANY**

WHEREAS, the Company and the Trustee are parties to an Indenture, dated as of September 10, 2002 (the "Indenture"), which provides for the issuance from time to time of the Company's subordinated debt securities (the "Securities") in one or more series;

WHEREAS, the Company and the Trustee desire to amend the Indenture as more particularly set forth in this Supplemental Indenture; and

WHEREAS, all conditions for the execution and delivery of this Supplemental Indenture have been complied with or have been done or performed.

**NOW, THEREFORE, THIS INDENTURE WITNESSETH:**

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE 1

Definitions

Section 1.01 General. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Indenture.

ARTICLE 2

Agreements of Parties

Section 2.01 Redemption Notices. With respect to the Company's 5.65% Fixed-to-Floating Rate Subordinated Notes due November 15, 2023 (the "Notes") (and not any other series of Securities issued under the Indenture):

(a) The number of days prior to the Redemption Date that the Company shall give the notice required by Section 1102 of the Indenture shall be one Business Day prior to the date that notice of redemption is given to Holders of the Notes.

(b) Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 10 nor more than 60 days prior to the Redemption Date, to each Holder of the Notes, at his address appearing in the Security Register.

ARTICLE 3

Miscellaneous Provisions

Section 3.01 Effectiveness; Construction. This Supplemental Indenture shall become effective upon its execution and delivery by the Company and the Trustee and as of the date hereof. Upon such effectiveness, the Indenture shall be supplemented in accordance herewith. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of the Securities or of series thereof hereafter authenticated and delivered under the Indenture shall be bound thereby. The Indenture and this Supplemental Indenture shall henceforth be read and construed together.

Section 3.02 Indenture Remains in Full Force and Effect. Except as supplemented hereby, all provisions in the Indenture shall remain in full force and effect.

Section 3.03 Trustee Matters. The Trustee accepts the Indenture, as supplemented hereby, and agrees to perform the same upon the terms and conditions set forth therein, as supplemented hereby. The Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee, whether or not elsewhere herein so provided. The recitals contained in this Supplemental Indenture shall be taken as the statements of the Company and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

Section 3.04 No Third-Party Beneficiaries. Nothing in this Supplemental Indenture, express or implied, shall give to any Person, other than (a) the parties hereto and their successors hereunder, (b) the holders of Senior Indebtedness, (c) the Holders and (d) subject to Section 907, the creditors in respect of General Obligations, any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

Section 3.05 Separability Clause. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 3.06 Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.07 Successors and Assigns. All covenants and agreements in this Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 3.08 Governing Law. This Supplemental Indenture shall be governed by and construed in accordance with the law of the State of New York.

Section 3.09 Counterpart Signatures. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

ZIONS BANCORPORATION

By: /s/ W. David Hemingway

Name: W. David Hemingway

Title: Executive Vice President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: /s/ Teresa Petta

Name: Teresa Petta

Title: Vice President

[Signature page to Second Supplemental Indenture]

(Back To Top)

# Section 4: EX-10.5 (ZIONS BANCORPORATION THIRD RESTATED AND REVISED DEFERRED COMPENSATION PLAN)

EXHIBIT 10.5

**ZIONS BANCORPORATION**
**THIRD RESTATED AND REVISED DEFERRED COMPENSATION PLAN**
**Restated and Revised Effective as of January 1, 2005**

**ZIONS BANCORPORATION**

**THIRD RESTATED AND REVISED DEFERRED COMPENSATION PLAN**

**(Effective January 1, 2005)**

**ARTICLE I**

**INTRODUCTION**

**1.1 Restatement of Existing Plan.** Zions Bancorporation previously established the Zions Bancorporation Deferred Compensation

Plan effective as of January 1, 2001, which Plan was restated in its entirety effective January 1, 2003, and subsequently restated effective January 1, 2004, and restated again in the Zions Bancorporation Restated and Revised Deferred Compensation Plan effective January 1, 2005 (the "First Restatement"). This Third Restated and Revised Deferred Compensation Plan ("Third Restatement") has the same effective date (January 1, 2005) as the First and Second Restatements. The purpose of the Third Restatement is limited to making those changes necessary to comply with the further guidance issued under Section 409A of the Code ("409A") which was not anticipated in the First or Second Restatements. The January 1, 2004 restatement is hereinafter referred to as the "Prior Plan". It continues to be the purpose of this Restatement to have those amounts which were 100% vested and credited to a Deferral Account prior to January 1, 2005 ("Grandfather Amounts") be governed by the applicable laws and rules governing deferred compensation arrangements, prior to the enactment of Section 409A of the Code ("409A") together with the provisions of the Prior Plan. Notwithstanding the foregoing, there shall only be one Plan which will include a Deferral Account for Grandfather Amounts and a Deferral Account for post December 31, 2004 deferrals. Accordingly, the provisions of the Prior Plan shall govern that portion of a Participant's Deferral Account which consists of Grandfather Amounts. Unless specifically provided herein, the provisions

of this Plan Document where different from the Prior Plan shall apply only to amounts deferred or vested after December 31, 2004. If the application of any provision of this Plan document, would constitute a "material modification" with respect to Grandfather Amounts under guidance issued by the Service under 409A, then such provision will not be applied to any Grandfather Amounts and the provision of the Prior Plan will control. By this document the Prior Plan is restated and revised as of the Effective Date and to read as set forth hereafter.

**1.2 Purpose of Plan.** Zions Bancorporation has established this Plan as a continuation of the prior Plan to provide select employees with the opportunity to defer the receipt of compensation and a vehicle through which to do so. Zions Bancorporation intends to maintain the Plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan will be interpreted in a manner consistent with these intentions.

**1.3 Combined Plans and Successor Plan.** With the prior restatement effective January 1, 2003, Zions Bancorporation combined and merged certain plans which provided for deferred compensation. The plans which were combined and merged into the Prior Plan (and jointly referred to hereafter as the "Merged Plans") are:

Zions Bancorporation Deferred Compensation Plan for Value-Sharing Participants
Zions Bancorporation Executive Management Plan ("SERP")
Grossmont Bank Deferred Compensation Plan for Key Employees

With the January 1, 2004 restatement and revision those portions of the Merged Plans which provided for continuing contributions from the Company (as hereafter defined) and which were preserved in the Prior Plan (including all related benefits and liabilities) were transferred to the Zions Bancorporation Excess Benefit Plan, which plan has been created by the Company for that purpose. From and after January 1, 2004 no further benefits attributable to Company contributions are available from or accrue under this Plan. All benefits previously provided under the Prior Plan and attributable to Company contributions shall only be payable by and available from the Zions Bancorporation Excess Benefit Plan according to its terms, regardless of the time or manner such benefits may have been previously payable under the Merged Plans or the Prior Plan.

## ARTICLE II

## DEFINITIONS

Definitions are contained in this article and throughout other sections of the Plan. The location of a definition is for convenience only and should not be given any significance. A word or term defined in this article (or in any other article) will have the same meaning throughout the Plan unless the context clearly requires a different meaning.

**2.1 Base Salary** means (i) the employee's base salary paid for each payroll period, including any periodic payment which constitutes a draw or advance against future potential commission payments, and (ii) in the case of an employee whose compensation from the Company contains a commission element, the amount of the commission as paid, excluding any draw or advance received, and without regard to any Bonus(es) or other additional amount(s) paid or payable to the employee.

**2.2 Beneficiary** means the individual(s) or entity(ies) designated by a Participant, or by the Plan, to receive any benefit payable upon the death of a Participant or Beneficiary. A Beneficiary designation must be signed

by the Participant and delivered to the Committee on a form specified by the Committee for that purpose. In the absence of a valid or effective Beneficiary designation, the Beneficiary will be the Participant's surviving spouse, or if there is no surviving spouse, the Participant's estate.

**2.3 Board** means the Board of Directors of the Company.

**2.4 Bonus** means any periodic or non-periodic payment to the Participant which is not part of the Participant's Base Salary, including incentive pay, discretionary bonuses and any amount denominated and paid by the Company as a value sharing payment, and which is not otherwise excluded from the definition of Compensation contained in this Plan. For purposes of this Section "discretionary bonus" means any one time annual payment (typically paid in February of each year) and not included in any incentive plan, "incentive pay" means any payment (excluding commissions) made to compensate for meeting established goals or production levels set forth in documented performance plans and value sharing payments means monies paid according to long term based (more than one year) plans.

**2.5 Code** means the Internal Revenue Code of 1986, as amended from time to time.

**2.6 Committee** means the Zions Bancorporation Benefits Committee. The Committee will serve as the "plan administrator" to manage and control the operation and administration of the Plan, within the meaning of ERISA Section 3(16)(A).

**2.7 Company** means Zions Bancorporation, any successor of Zions Bancorporation, and any subsidiary or affiliate of Zions Bancorporation which elects, with the approval of Zions Bancorporation, to become a participating employer under this Plan. Regardless of the adoption of or participation in this Plan by one or more affiliates of Zions Bancorporation, all rights, duties and responsibilities for operation of this Plan, including all rights reserved to amend, alter, supplement or terminate this Plan, shall remain exclusively with and be exercised solely by the Board of Directors of Zions Bancorporation, unless such rights or duties are specifically allocated or assigned under this Plan by the Board to the Committee or by Zions Bancorporation to one or more participating employers.

**2.8 Compensation** means the employee's Base Salary, Bonus(es) and any amounts withheld by salary reduction under Code §§125 or 401(k), or under this Plan. Compensation excludes any other form of remuneration paid or payable to an Eligible Employee, such as restricted stock, stock options, proceeds from stock options or stock appreciation rights, severance payments, moving expenses, car or other special allowances, and any other amounts, whether or not included in an Eligible Employee's taxable income. Deferral elections under Article III and Company contribution credits under Article IV shall be computed before taking into account any reduction in an Eligible Employee's Compensation by salary reduction election under Code §§125 or 401(k), or deferral election under this Plan.

**2.9 Deferral Account** means a bookkeeping account established for and maintained on behalf of a Participant to which Compensation amounts are deferred, and net income (or losses) thereon, are credited under this Plan. The Participant's Deferral Account shall also include and reflect all amounts previously credited to the Participant under any of the Merged Plans in which the Participant had a credit amount as of the day before the Effective Date, as well as all amounts credited under the Prior Plan on the day before the Effective Date, but only to the extent such amounts are attributable to deferrals under a Deferred Compensation Agreement or similar arrangement provided in a Merged Plan.

**2.10 Deferred Compensation Agreement** means an agreement described in Section 3.4 and entered into by a Participant and the Company to reduce the Participant's Compensation for a specified period of time and to credit such amounts to the Plan for distribution at a specified time in the future in accordance with Article III.

**2.11 Disability** means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company. This definition of Disability shall apply to Grandfather Amounts.

**2.12 Effective Date** means January 1, 2005, the date this Plan, as restated and revised, shall be effective. The original effective date of the Plan is January 1, 2001. Notwithstanding the foregoing, amounts deferred and vested under the Plan prior to January 1, 2005 shall not be subject to any amendments to the Plan with an effective date subsequent to December 31, 2004.

**2.12 Eligible Employee** means a common law employee of the Company who:

(a) on the day before the Effective Date was a participant in this Plan; or

(b) has or is projected to have Compensation in excess of $130,000 or such other amount established by the Committee

for the Plan Year commencing on the Effective Date and for any Plan Year thereafter (or such greater dollar amount as determined and announced by the Committee from year to year); and

(c) having satisfied (a) or (b), is identified by the Committee and designated as eligible to participate in the Plan;

For purposes of determining as of any given date whether the Eligible Employee's Compensation will satisfy (b) above, the Committee may project the Eligible Employee's current rate of Compensation on a Plan Year basis. The Committee may adjust the dollar amount in (b) above from year to year consistent with any index selected by the Committee for this purpose, without further written amendment to this Plan. Except as otherwise provided in Section 3.1 (concerning an individual who ceases to be an Eligible Employee) and Section 3.3 (concerning an individual who first becomes an Eligible Employee on or after the first day of a Plan Year), an individual's status as an Eligible Employee for a Plan Year shall be determined immediately prior to the first day of the Plan Year. An individual's status who becomes an Eligible Employee on or after the first day of a Plan Year but prior to the next calendar quarter shall be determined prior to that calendar quarter. Notwithstanding the foregoing, the Committee may determine in writing that an otherwise Eligible Employee shall not be eligible to participate in this Plan.

**2.13 ERISA** means the Employee Retirement Income Security Act of 1974, as amended.

**2.14 Excess Benefit Plan** means the Zions Bancorporation Excess Benefit Plan, which plan has been created by the Company effective January 1, 2004, as the partial successor to the Merged Plans for the sole purpose of providing benefits to certain Employees which are determined through the Merged Plans, but through means other than deferral of Compensation under a Deferred Compensation Agreement.

**2.15 Hardship** means an unforeseeable emergency which is a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in section 152 of the Code without regard to section 152(b)(1), (b)(2) and (d)(1)(b)); loss of the Participant's property due to casualty (including a need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medication may constitute an unforeseeable emergency. Finally, the need to pay for the funeral expenses of a spouse, a beneficiary, or a dependent (as defined in section 152 of the Code without regard to section 152(b)(1), (b)(2) and (d)(1)(b)) may also constitute an unforeseeable emergency. Generally the purchase of a home or the payment of college tuition are not unforeseeable emergencies. Whether a Participant is faced with an unforeseeable emergency is to be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of assets would not cause severe financial hardship, or by cessation of deferrals under the plan. A Hardship and any resulting distribution will be determined in accordance with section 409A of the Code and guidance issued by the Service there under. The Committee will have sole discretion to determine whether a Hardship condition exists and the amount of the distribution. The Committee's determination will be final.

A Participant must submit a written request for a distribution based on Hardship to the Committee on the form and in the manner prescribed by the Committee. The Hardship request must: (i) describe and certify the Hardship condition substantiating the severe unforeseeable emergency and all circumstances necessary to meet the definition of Hardship; (ii) state the amount the Participant requests as a withdrawal of all or a portion of his Deferral Account; and (iii) demonstrate the amounts requested to be distributed do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated as a result of the distribution. Determinations of amounts necessary to satisfy an emergency must take into account any additional compensation that will be made available due to the restriction on further deferrals set forth below in this Section. The Committee will have sole discretion to determine whether a Hardship exists and to determine the appropriate action, if any, provided however, in no event will the Committee approve a Hardship distribution request for expenses related to any medical condition or expenses related to the death of any person unless the request for distribution is submitted to the Committee and approved by the Committee for Hardship distribution prior to the date on which the expense is incurred. The Committee, in its sole discretion, may make exception to the foregoing rule if it determines that the circumstances creating the expense for which reimbursement is sought were not reasonably foreseeable. Regardless of whether the Participant desires to reduce or cease any Compensation amounts to be deferred after the Hardship request is made, the Participant will be precluded from deferring Compensation for the remainder of the Plan Year in which a Hardship is approved by the Committee.

**2.16 Insolvent** means the Company is (i) unable to pay its debts as they become due or (ii) subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

**2.17 Investment Options** means the investments designated by the Committee as the basis for determining the earnings return to be allocated to Participants' Deferral Accounts. The Committee may change Investment Options at such times as it deems appropriate.

**2.18 Participant** means an Eligible Employee who is eligible to participate in the Plan as provided in Section 3.1 and who has made an election to defer Compensation pursuant to Section 3.2.

**2.19 Plan** means the Zions Bancorporation Restated Deferred Compensation Plan, as set forth in this document, as amended from time to time.

**2.20 Plan Year** means the Company's fiscal year, beginning January 1 and ending December 31.

**2.21 Retirement Age** means, while employed by the Company, attainment of age 55 with 10 Years of Service ("Early Retirement Age"), or attainment of age 65, without regard to Years of Service.

**2.22 Service** means the Internal Revenue Service of the United States.

**2.23 Specified Employee** means a Participant who, as the date of such Participant's Separation from Service is a key employee of the Company if the Participant meets the requirements of section 416(i)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the regulations thereunder and disregarding section 416(i)(5))at any time during the 12 month period ending December 31. The determination date of Specified Employees shall be made as of each January 1. If a Participant is a key employee as of January 1, the Participant is treated as a key employee for the entire 12 month period beginning on January 1 and ending on December 31.

**2.24 Year of Service** means, with respect to a Participant, a calendar year during which the Eligible Employee was in full time employment with the Company for the entire year. Full time employment shall be determined according to the rules adopted and utilized by the Company to classify full time employees.

**2.25 Separation from Service** means a Participant who is an employee of the Company has died, retired or otherwise has a Termination of Employment. However, the employment relationship is treated as continuing intact while the employee is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the individual retains a right to reemployment with the Company under an applicable statute or by contract. A leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the employee will return to perform services for the Company. If the period of leave exceeds six months and the individual does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, a 29 month period may, at the Company's discretion, be substituted for such six month period.

**Section 2.26 Termination of Employment** occurs when the facts and circumstances indicate that an employee and the Company reasonably anticipate that no further services would be performed after a certain date (whether as an employee or as an independent contractor) or that the level of bona fide services the employee would perform after such date (whether as an employee or an independent contractor) would permanently decrease to no more than 40 percent of the average level of bona fide services performed (whether as an employee or independent contractor) over the immediately preceding 36 month period (or the full period services to the Company if the employee has been providing services to the Company less than 36 months) and in accordance with Code §409A, Treas. Reg. §1.409A-1 (h) and other applicable guidance issued by the Internal Revenue Service.

## ARTICLE III

## PARTICIPATION

**3.1 Eligibility.** An Eligible Employee of the Company shall participate in the Plan only to the extent and for the period that the Eligible Employee satisfies the definition of Eligible Employee in this Plan, is selected by the Committee to participate and is a member of a select group of management or highly compensated employees, as such group is described under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. An individual who is an Eligible Employee as of the first day of the Plan Year but who ceases to be an Eligible Employee during the Plan Year shall continue to participate in the Plan with respect to any Deferred Compensation Agreements in effect for the Plan Year, but shall terminate participation as of the end of such Plan Year. The Participant shall not be permitted to enter into any new Deferred Compensation Agreements with the Company unless and until the individual again becomes an Eligible Employee.

**3.2 Participation.** An Eligible Employee who participates in the Plan may elect to defer the receipt of compensation earned by the Eligible Employee by executing an agreement as described in Section 3.4. The Eligible Employee shall make the election in accordance with Section 3.3. The Company shall withhold amounts deferred by the Participant in accordance with this election. The Participant's deferred amounts shall be credited to the Deferral Account as provided in Article V and distributed in accordance with Article VI. An election to defer receipt of Compensation shall continue in effect for a given Plan Year unless the Participant separates from employment.

**3.3 Election Procedure.** An election to defer Compensation under an agreement described in Section 3.4 shall be made prior to the beginning of each Plan Year and must be made by completing a Deferred Compensation Agreement in accordance with procedures prescribed by the Committee. The Agreement must be completed during the election period established by the Committee which shall require that the Deferred Compensation Agreement be completed prior to the first day of the Plan Year for which Compensation shall be earned. Provided however, that an individual who becomes an Eligible Employee for the first time on or after the first day of a Plan Year shall be permitted to make an election to defer Compensation by completing a Deferred Compensation Agreement in accordance with procedures prescribed by the Committee, no later than the 30th day after such person becomes eligible to participate in the Plan. The deferral shall commence as soon as practicable under procedures established by the Committee. An Eligible Employee or a Participant who fails to timely complete a Deferred Compensation Agreement in accordance with the procedures prescribed by the Committee shall not participate in the Plan for the year for which the failure occurs.

**3.4 Deferred Compensation Agreement.** A Deferred Compensation Agreement shall remain in effect only for the Plan Year for which it is executed. The Deferred Compensation Agreement shall apply to all Compensation as defined in Section 2.8 and earned after the date on which the Agreement is effective. The Agreement shall state the amount of Compensation that shall be deferred for the Plan Year, and the time and manner of distribution. The Agreement may permit the Participant to elect different deferral amounts for Base Salary and various Bonus components, such as discretionary bonuses, incentive pay and long-term based bonuses (value sharing bonuses) payable to the Eligible Employee for the Plan Year, subject to the following:

(a) **Base Salary.** A Participant shall be permitted to defer a maximum of fifty (50%) of Base Salary earned in a Plan Year. In the case of a Participant whose Base Salary contains a commission element, the Participant shall be permitted to defer a maximum of fifty percent (50%) of all commissions earned in the Plan Year.

(b) **Bonus**. A participant shall be permitted to defer a maximum of one hundred (100%) of all amounts otherwise includible as Bonus pay (as defined in Section 2.4) with respect to a Plan Year.

(c) **No Minimum Deferral.** There shall be no minimum deferral percentage which may be elected by an Eligible Employee, whether applicable to Base Salary, Bonus or both. Nevertheless, the Committee may, in its discretion, establish without further written amendment to this Plan a minimum deferral percentage amount, incremental deferral percentage or minimum dollar amount applicable to Base Salary or Bonus(es) for any given Plan Year.

(d) **Hardship Withdrawal Request.** All deferrals by an Eligible Employee for the remainder of the Plan Year shall cease in the event the Committee approves a request of the Eligible Employee for a Hardship withdrawal for that Plan Year. No cessation of deferrals shall affect any limit established pursuant to Section 3.4(c) above, and no deferral amounts so reduced or not made shall be required to be made in addition to any future deferrals that are not affected by the Hardship request. This rule shall also apply in the same manner if the hardship withdrawal is made by the Eligible Employee from the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan.

**3.5 Irrevocable Election.** A Participant's Deferred Compensation Agreement for a given Plan Year cannot be amended by the Participant and, except as provided in Section 3.4(d) and this Section 3.5, is irrevocable. Any change as to the timing or manner of payment of benefits already credited to a Participant's Deferral Account (i) must be accomplished by a Participant in accordance with procedures prescribed by the Committee; (ii) will not take effect sooner than the earliest date allowable under 409A; (iii) with respect to a postponement of a distribution (excluding payments for death, Disability or Hardship) the amended election must be completed in accordance with procedures prescribed by the Committee at least 12 months prior to the date the distribution was scheduled to begin; and (iv) no acceleration in payment of a distribution may occur in violation of 409A. The Company reserves the right to modify any Deferred Compensation Agreement to reflect a change in Plan provisions or for administrative convenience, so long as such change complies with section 409A of the Code and does not affect amounts deferred prior to January 1, 2005.

A Participant's election to defer Compensation under the Deferred Compensation Agreement shall become null and void upon the Participant's termination from employment with the Company, and no Compensation that may be payable after the Participant terminates from employment with the Company and otherwise would be subject to such Agreements shall be deferred under this Plan.

Until December 31, 2007 or such other time as allowed by the Internal Revenue Service, a Participant may amend an existing Deferred Compensation Agreement or complete a new Deferred Compensation Agreement modifying the time and/or form of payment of all or a portion of such Participant's Deferral Account without regard to the requirement in Section 409A(a)(4) that postponement in starting date for a distribution be for a minimum of five years from the previously selected payment start date. Any such amendment or new election must be made on or before December 31, 2007(or such other date as allowed by the Internal Revenue Service) and must not take effect earlier than 12 months from the date of such amendment .

## ARTICLE IV
## COMPANY CONTRIBUTIONS

**4.1 No Company Contributions.** The Company shall not make or credit any contributions to the Plan beyond the amounts determined

under each Participant's Deferral Compensation Agreement.

**4.2 Vesting.** A Participant's interest in the amounts in his or her Deferral Account attributable to (i) Compensation deferred pursuant to Sections 3.2 through 3.4 of the Plan and (ii) any earnings credited to the Participant's Deferral Account pursuant to Section 5.5, shall be at all times fully vested and nonforfeitable. Notwithstanding the foregoing, all amounts in a Participant's Deferral Account, including earnings thereon, shall be subject to offset as described in the next paragraph.

The amounts in the Participant's Deferral Account, including earnings thereon, shall be subject to offset (without regard to prior vested status or whether payment of such amounts has commenced under Article 6) in the event and to the extent that the Company obtains through arbitration, a court proceeding or a combination of both, an award/judgment against such Participant. In the event that proceedings have been instituted to allow the Company to obtain an award or judgment against such Participant, such Participant's account will be frozen and no payments will be made until the proceedings have been completed. If the Company is successful in obtaining a judgment/award against such Participant, the Company shall have a right of offset against such Participant's account for the full amount of the judgment/award including costs and attorney's fees.

## ARTICLE V
## PARTICIPANT ACCOUNT BALANCES

**5.1 Establishment of Accounts.** The Committee may select an independent record keeper (who may be an affiliate of the Company) to establish and maintain a Deferral Account on behalf of each Participant. Contributions and net income (or losses) will be credited to each Deferral Account in accordance with the provision of this Article.

**5.2 Bookkeeping.** Deferral Accounts will be primarily for accounting purposes and will not restrict the operation of the Plan or require separate earmarked assets to be allocated to any account. The establishment of a Deferral Account will not give any Participant the right to receive any asset held by the Company in connection with the Plan or otherwise.

**5.3 Crediting Deferred Compensation.** The Committee will credit to a Participant's Deferral Account any amount deferred by the Participant as soon as practicable following the pay period to which such amount would have been paid to the Participant absent a Deferred Compensation Agreement.

**5.4 Establishment of Investment Options.** The Committee, in its sole discretion, will establish one or more Investment Options which will be maintained for the purpose of determining the amount of investment earnings to be credited to a Participant's Deferral Account. The Committee may change from time to time the number, identity or composition of the Investment Options or discontinue the availability of any Investment Option. The Investment Options will reflect investment choices which are available in the marketplace for self directed accounts in retirement plans and may be (but need not be) the same investment choices available through any qualified retirement plan sponsored by the Company.

Pursuant to rules adopted by the Committee each Participant will indicate the Investment Options to which contributions under Section 5.3 and any existing Deferral Account balances shall be deemed credited. Investment Option elections of Participants must be made in whole percentage increments and at such times and in such manner as the Committee will specify. A Participant may change his or her Investment Option at any time and in such manner as the Committee shall specify. Each Participant shall be provided from time to time with the earnings "results" from the selected Investment Options. The Company's liability to the Participant for amounts in the Deferred Compensation Account will include gains and losses attributed to the Investment Options selected by the Participant.

**5.5 Crediting Investment Results.** A Participant's Deferral Account balance will be credited with the earnings of the Investment Options selected by the Participant and will be increased or decreased to reflect investment results, as they occur. While the credited investment return to the Participant's Deferral Account is intended to reflect the actual performance of the Investment Options, net of any investment or management fees, in which the Participant is deemed invested, nevertheless, no provision of this Plan shall be interpreted to require the Company to actually invest any amounts in any particular Investment Option or any other fund, whether or not the fund is one of the Investment Options available for selection by Participants in the Plan.

**5.6 Notification to Participants.** The Committee shall notify each Participant with respect to the status of the Participant's Deferral Account as soon as practicable after the end of each Plan Year. Neither the Company nor the Committee to any extent warrants, guarantees or represents that the value of any Participant's Deferral Account at any time will equal or exceed the amount previously allocated or contributed thereto.

## ARTICLE VI

## DISTRIBUTION OF ACCOUNTS

**6.1 Permissible Payment Events.** Each of the following listed events shall be a Permissible Payment Event. Distribution of the Participant's vested Deferral Account Balance shall commence at the time specified in Section 6.2 upon the earliest of any Permissible Payment Event to occur, unless a later commencement date has been specifically elected by the Participant in the Deferred Compensation Agreement or another time is specified in this Article.

(a) Separation from Service, whether before or after attaining Retirement Age;

(b) Disability of the Participant;

(c) Death of the Participant;

(d) Attainment of a date specifically elected by the Participant in the Deferred Compensation Agreement;

(e) Occurrence of a Hardship (as defined in Section 2.15) for which approval of a distribution has been approved by the Committee.

**6.2 Time of Payment.** A Participant's vested Deferral Account balance shall be paid (or commence to be paid) not later than the later of December 31 of the year in which the Permissible Payment Event (as described in Section 6.1) occurs; provided however, if the Permissible Payment Event occurs within the final three (3) months of the Plan Year, then in the sole discretion of the Company payment to the Participant may commence not later than ninety (90) days following such date, but in no event later than the 15th day of the third month following the close of the Plan Year.

**6.3 Manner of Payment.** Notwithstanding Section 6.2, if the time and manner of payment elected by the Participant in a valid Deferred Compensation Agreement provide for a later payment commencement date, the Participant's vested Deferral Account shall be paid in accordance with the time and manner as elected. In that regard a Deferred Compensation Agreement may only specify a separate time of payment with respect to the Permissible Payment Events listed in Sections 6.1(a) and (d). The Deferred Compensation Agreement shall provide the Participant a right to elect a lump sum cash payment, or a series of substantially equal separate monthly payments over a period of five (5), ten (10), fifteen (15) or twenty (20) years. If no election has been made by the Participant, the Deferral Account will be paid in a series of substantially equal monthly payments over a period of five years. The final monthly installment payment shall be the remaining balance in the Participant's Deferral Account on the date the payment is made.

**6.4 Distribution of Small Accounts Upon Separation from Service.** A Participant who has a Separation from Service and who, at the time of Separation from Service has a balance in his or her Deferral Account which is not more than Ten Thousand Dollars ($10,000.00) shall receive the amounts credited to his/her Deferral Account in a lump sum cash payment only. The lump sum shall be paid not later than the later of December 31 of the year in which such Participant terminated or the 15th day of the third month following such Participant's separation from service. For purposes of this Section 6.4, the value of a Participant's Deferral Account to be distributed shall be determined as of the date the payment is made, and shall be credited with earnings through that date.

**6.5 Distribution Upon Death.** In the event a Participant dies prior to receiving all of his or her vested Deferral Account, the Participant's Beneficiary shall receive the unpaid portion of the Participant's Deferral Account in same manner as had been elected by the Participant prior to his/her death. For purposes of this Section 6.5, the value of a Participant's Deferral Account to be distributed shall be determined as of the date the payment is made, and shall be credited with earnings through such date and, in the case of a Participant who dies while employed with the Company, any deferred amounts that would have been credited to the account if the Participant had continued employment with the Company through such date.

**6.6 Distribution in the Event of Hardship.** Prior to a distribution under Sections 6.1 or 6.5, payment of all or a portion of a Participant's vested Deferral Account may be made in the event of Hardship. The amount of any Hardship distribution will not exceed the amounts allowable under IRS Guidelines. A Hardship distribution shall be made in a single sum cash payment as soon as practicable after the Committee approves the Hardship withdrawal request.

**6.7 Cash Payments Only.** All distributions under the Plan will be made in cash by check, unless in the sole discretion of the Company it determines to make a distribution in kind (or partly in kind and partly in cash) from the account, if any, which the Company has established to provide a source of payment for the benefits due a Participant. In the event of a distribution of property, the property will be valued at fair market value as of the date of distribution**.**

**6.8 Disability.** For the purposes of Sections 6.1 and 6.2, in the event of a Participant's Disability, the Participant will be considered to have a Permissible Payment Event as of the date the Participant first meets the definition of Disability as determined by the Committee.

**6.9 Specified Employee.** Notwithstanding any other provision of this Article VI, any distribution to a Specified Employee in connection with a Separation from Service may not be made before the date which is 6 months after the date of Separation from Service (or, if earlier,

the date of death of the Specified Employee).

**6.10 Grandfather Amounts.** Grandfather amounts shall be governed by the plan language which was effective prior to January 1, 2005.

**6.11 In-service Distributions**. A Participant who has a Permissible Payment Event under Section 6.1(d) resulting from an election under a valid Deferred Compensation Agreement shall receive (or commence receiving) a distribution of his vested Deferral Account according to that election, even if the Participant has not incurred a Separation from Service.

## ARTICLE VII
## PLAN ADMINISTRATION

**7.1 Plan Administrator.** This Plan shall be administered by the Committee, which will be the Plan Administrator. The Committee members shall be appointed by and serve at the pleasure of the Board.

**7.2 Amendment or Termination.** To the extent permitted under this Plan or authorized by the Board of Directors of Zions Bancorporation, the Committee may amend any provision of this Plan at any time and for any reason. Only the Board of Directors of Zions Bancorporation may terminate the Plan in its entirety. No amendment or termination of the Plan will reduce any Participant's Deferral Account balance as of the effective date of such amendment or termination. Upon termination of the Plan in its entirety, each Participant's Deferral Account shall be distributed to the Participant at the times and in accordance with the distribution rules set forth in Article VI. Notwithstanding the foregoing, no amendment shall be made to the Plan with respect to any amount deferred and vested prior to January 1, 2005 unless such amendment explicitly provides that it is applicable to such amount; and except as the Committee otherwise determines in writing, no distribution shall be made upon termination of the Plan if such distribution shall be subject to the excise tax applicable under section 409A of the Code.

**7.3 Administration of the Plan.** The Committee shall have the sole authority to control and manage the operation and administration of the Plan and have all powers, authority and discretion necessary or appropriate to carry out the Plan provisions, and to interpret and apply the terms of the Plan to particular cases or circumstances. All decisions, determinations and interpretations of the Committee will be binding on all interested parties, subject to the claims and appeal procedure necessary to satisfy the minimum standard of ERISA Section 503, and will be given the maximum deference allowed by law. The Committee may delegate in writing its responsibilities as it sees fit.

Committee members who are Participants will abstain from voting on any Plan matters that relate primarily to themselves or that would cause them to be in constructive receipt of amounts credited to their respective Deferral Account. The Board will identify three or more individuals to serve as a temporary replacement of the Committee members in the event that all three members must abstain from voting.

**7.4 Indemnification.** The Company will and hereby does indemnify and hold harmless any of its employees, officers, directors or members of the Committee who have fiduciary or administrative responsibilities with respect to the Plan from and against any and all losses, claims, damages, expenses and liabilities (including reasonable attorneys' fees and amounts paid, with the approval of the Board, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

**7.5 Claims Procedure.** A Participant or his Beneficiary (the "Claimant") may file a written claim for benefits under the Plan with the Committee. Within sixty (60) days of the filing of the claim, the Committee shall notify the Claimant of the Committee's decision whether to approve the claim. Such notice shall include specific reasons for any denial of the claim. Within sixty (60) days of the date the Claimant was notified of the denial of a claim, the Claimant may appeal the Committee's decision by making a written submission containing any pertinent information. Any decision not appealed within such sixty (60)-day period shall be final, binding and conclusive. The Committee shall review information submitted with an appeal and render a decision within sixty (60) days of the submission of the appeal. If it is not feasible for the Committee to render a decision on an appeal within the prescribed sixty (60)-day period, the period may be extended to a one hundred twenty (120)-day period.

**7.6 Limitations of Actions on Claims.** The delivery to the Participant of the final decision of the Committee with respect to a claim for benefits which has been reviewed and considered under the appeal procedures of Section 7.5 shall commence the period during which the Participant may bring legal action for judicial review of the Committee's decision. No civil action with respect to the claim for benefits or the subject matter thereof may be commenced by the Participant, whether such action is pursued through litigation, arbitration or otherwise, prior to the completion of the claims and claims review process set forth in Section 7.5, nor following the expiration of two (2) years from the date of delivery of the final decision of the Committee to the Participant under Section 7.5.

## ARTICLE VIII
## MISCELLANEOUS

**8.1 Trust for Deferral Accounts.** The Committee shall determine the amounts it deems necessary or appropriate to satisfy the Company's obligation to pay the Deferral Accounts at the appropriate time to Participants and Beneficiaries. Such amounts shall be held in a trust established by the Company for this purpose with a trustee selected by the Committee. The trust shall be an asset of the Company and shall be earmarked to pay benefits under the terms of the Plan.

The trust shall provide that its assets may not be diverted to, or used for, any purpose except payments to Participants and Beneficiaries under the terms of the Plan or, if the Company is Insolvent, to pay the Company's creditors. Participants and Beneficiaries will have no right against the Company or the trust with respect to the payment of any portion of the Participant's Deferral Account, except as a general unsecured creditor of the Company.

**8.2 Non-alienation.** No benefit or interest of any Participant or Beneficiary under this Plan will be subject to any manner of assignment, alienation, anticipation, sale transfer, pledge or encumbrance, whether voluntary or involuntary. Notwithstanding the foregoing, the Committee will honor community property or other marital property rights, but only to the extent required by law. Prior to distribution to a Participant or Beneficiary, no Deferral Account balance will be in any manner subject to the debts, contracts, liabilities, engagements or torts of the Participant or Beneficiary. Assets held in trust to fund this Plan may, however, be diverted to pay the Company's creditors, if the Company is Insolvent.

**8.3 Domestic Relations Order.** In the event the Committee receives a Domestic Relations Order from a potential Alternate Payee, the Committee shall promptly notify the Participant, or Beneficiary whose benefit is the subject of such order and provide him/her with information concerning the Plan's procedures for administering QDROs. Unless and until the order is set aside, the following provisions shall apply:

**(a) Committee Determination.** The Committee shall within a reasonable time determine whether the order is a QDRO and shall notify the Participant or Beneficiary whose benefit is the subject of the order, of its determination. The Committee may designate a representative to carry out its duties under this provision.

**(b) Compliance with Section 409A.** Nothing in this Section 8.3(b) shall be deemed to allow payment under a QDRO to an Alternate Payee of any benefit which would violate Section 409A of the Code and any regulations promulgated hereunder and no payment shall occur prior to the date that the Participant whose benefits are subject to the QDRO would have been entitled to receive payment in accordance with any Deferred Compensation Agreement in existence as of the date of the QDRO. In the event that the QDRO applies to deferrals which occur after the date of the QDRO, the Alternate Payee shall be entitled to a distribution on such future deferrals on the date that the Participant would have been entitled to receive payment

**8.4 QDRO definitions**. For purposes of 5 the following definitions and rules shall apply:

**(a)** "**Alternate Payee**" shall mean any spouse, former spouse, child or other dependent of a Participant who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to the Participant.

**(b)** "**Domestic Relations Order**" shall mean any judgment, decree, or order (including approval of a property settlement agreement) which:

(i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, child, or other dependent of a Participant; and

(ii) is made pursuant to a state domestic relations law (including a community property law).

**(c)** "**Qualified Domestic Relations Order**" shall mean any Domestic Relations Order which satisfies the criteria set forth as a QDRO under policies established by the Committee.

**8.5 Limitation of Rights.** Nothing in this Plan will be construed to give a Participant the right to continue in the employ of the Company at any particular position or to interfere with the right of the Company to discharge, lay off or discipline a Participant at any time and for any reason, or to give the Company the right to require any Participant to remain in its employ or to interfere with the Participant's right to terminate his or her employment.

**8.6 Section 409A.** This Plan is intended to meet the requirements of 409A, and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that a distribution, payment, or the settlement or deferral thereof, is subject to 409A, except as the Committee otherwise determines in writing, the award shall be granted, paid, settled or deferred in a manner that will meet the requirements of 409A, including regulations or other guidance issued with respect

thereto, such that the grant, payment, settlement or deferral shall not be subject to the excise tax applicable under 409A. Any provision of this Agreement that would cause the award or the payment, settlement or deferral thereof to fail to satisfy 409A shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under 409A. Notwithstanding foregoing, where allowable under 409A, Grandfather Amounts will not be subject to 409A.

**8.7 Governing Law.** To the extent that state law applies, the provisions of this Plan will be construed, enforced and administered in accordance with the laws of the state of Utah, except to the extent pre-empted by ERISA.

**8.8 Grandfather Amounts.** Grandfather amounts shall be governed by the plan language which was effective December 31, 2004

**8.9 Reorganization.** The Company shall not merge or consolidate into or with another entity, or reorganize, or sell substantially all its assets to another entity or undergo a change of control as defined in section 409A or any existing change of control agreement until the successor entity agrees to assume and discharge the obligations of the Company under this Plan and any Deferred Compensation Agreement under this Plan.

IN WITNESS WHEREOF, the Company by its duly authorized officer has executed this Zions Bancorporation Deferred Compensation Plan as of the 26th day of July, 2013.

**ZIONS BANCORPORATION BENEFITS COMMITTEE, AS AUTHORIZED**

By: /s/ Diana M. Andersen
Title: SVP & Director of HR Benefits

(Back To Top)

# Section 5: EX-10.6 (ZIONS BANCORPORATION FOURTH RESTATED DEFERRED COMPENSATION PLAN FOR DIRECTORS)

EXHIBIT 10.6

**ZIONS BANCORPORATION**

**FOURTH RESTATED DEFERRED COMPENSATION PLAN FOR DIRECTORS**

**(Effective January 1, 2005)**

## ARTICLE I

## INTRODUCTION

**1.1 Restatement of Existing Plan**. Zions Bancorporation previously established the Zions Bancorporation Deferred Compensation Plan for Directors effective April 23, 1986 (“Original Plan”). The Original Plan was amended effective as of May 1, 1991 and again effective July 1, 2003 (“Prior Plan”) and amended effective January 1, 2005 (“Second Restated Plan”). It is a purpose of this Plan to have those amounts which were 100% vested and credited to a Deferral Account prior to January 1, 2005 (“Grandfather Amounts”) be governed by the applicable laws and rules governing deferred compensation arrangements, prior to the enactment of Section 409A of the Code (“409A”) together with the provisions of the Prior Plan. Notwithstanding the foregoing, there shall only be one Plan which will include a Deferral Account for Grandfather Amounts and a Deferral Account for post December 31, 2004 deferrals. Accordingly, the provisions of the Prior Plan shall govern that portion of a Participant’s Deferral Account which consists of Grandfather Amounts. Unless specifically provided herein, the provisions of this Plan Document where different from the Prior Plan shall apply only to amounts deferred and vested after December 31, 2004. If the application of any provision of this Plan document, would constitute a “material modification” with respect to Grandfather Amounts under guidance issued by the Service under 409A, then such provision will not be applied to any Grandfather Amounts and the provision of the Prior Plan will control. By this document the Second Restated Plan is restated and revised as of the Effective Date and to read as set forth hereafter.

**1.2 Purpose of Plan**. Zions Bancorporation has established this Plan to provide members of the Board of Directors of Zions Bancorporation and members of the Board of Directors of participating subsidiaries of Zions Bancorporation the opportunity to defer the receipt of compensation paid to them for their services as members of the respective Boards of Directors until such time as they are entitled to receive the compensation under the provisions of this Plan. Zions Bancorporation intends to maintain the Plan solely for the foregoing purpose and to comply at all times with Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended. The Plan will be interpreted in a manner consistent with these intentions.

## ARTICLE II

## DEFINITIONS

Definitions are contained in this article and throughout other sections of the Plan. The location of a definition is for convenience only and should not be given any significance. A word
or term defined in this article (or in any other article) will have the same meaning throughout the Plan unless the context clearly requires a different meaning.

**2.1 Beneficiary** means the individual(s) or entity(ies) designated by a Participant, or by the Plan, to receive any benefit payable upon the death of a Participant or Beneficiary. A Beneficiary designation must be executed by the Participant and delivered to the Committee pursuant to procedures specified by the Committee for that purpose. In the absence of a valid or effective Beneficiary designation, the Beneficiary will be the Participant's surviving spouse, or if there is no surviving spouse, the Participant's estate.

**2.2 Board** means the Board of Directors of the Company or the Board of Directors of a participating affiliate or subsidiary of the Company .

**2.3 Code** means the Internal Revenue Code of 1986, as amended from time to time.

**2.4 Committee** means the Zions Bancorporation Benefits Committee. The Committee will serve as the "plan administrator" to manage and control the operation and administration of the Plan, within the meaning of ERISA Section 3(16)(A).

**2.5 Company** means Zions Bancorporation, any successor to Zions Bancorporation, and any subsidiary or affiliate of Zions Bancorporation which elects, with the approval of Zions Bancorporation, to participate in this Plan. In the event one or more affiliates or subsidiaries of Zions Bancorporation participate in this Plan, all rights, duties and responsibilities for operation of this Plan, including all rights reserved to amend, alter, supplement or terminate this Plan, shall remain exclusively with and be exercised solely by Zions Bancorporation, unless specifically allocated by Zions Bancorporation to one or more of the participating affiliates or subsidiaries.

**2.6 Compensation** means the remuneration paid to a Director for the services provided by the Director to the Company in the capacity as a member of the Board, including remuneration for services on any sub-committee or division of the Board, but excluding (i) any amount paid solely to reimburse the Director for expenses incurred, and (ii) any amounts credited as earnings under this Plan. Deferral elections under this Plan shall be computed on the amount of the Director’s Compensation.

**2.7 Deferral Account** means a bookkeeping account established for and maintained on behalf of a Participant to which Compensation amounts are deferred, and net income (or losses) thereon, are credited under this Plan.

**2.8 Deferred Compensation Agreement** means an agreement described in Section 3.4 and entered into by a Participant and the Company to reduce the Participant's Compensation for a specified period and contribute such amounts to the Plan, in accordance with Article III.

**2.9 Director** means a member of the Board of Zions Bancorporation or any other participating Company.

**2.10 Disability** means "disability" (or similar term) a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company.

**2.11 Effective Date** means January 1, 2005, the date this Plan, as restated, shall be deemed effective. The original effective date is April 23, 1986. Notwithstanding the foregoing, amounts deferred and vested under the Plan prior to January 1, 2005 shall not be subject to any amendments to the Plan with an effective date subsequent to December 31, 2004.

**2.12 ERISA** means the Employee Retirement Income Security Act of 1974, as amended.

**2.13 Hardship** means an unforeseeable emergency which is a severe financial hardship to the Participant resulting from an illness

or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in section 152 of the Code without regard to section 152(b)(1), (b)(2) and (d)(1)(b)); loss of the Participant's property due to casualty (including a need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medication may constitute an unforeseeable emergency. Finally, the need to pay for the funeral expenses of a spouse, a beneficiary, or a dependent (as defined in section 152 of the Code without regard to section 152(b)(1), (b)(2) and (d)(1)(b)) may also constitute an unforeseeable emergency. Generally the purchase of a home or the payment of college tuition are not unforeseeable emergencies. Whether a Participant is faced with an unforeseeable emergency is to be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of assets would not cause severe financial hardship, or by cessation of deferrals under the plan. A Hardship and any resulting distribution will be determined in accordance with section 409A of the Code and guidance issued by the Service there under. The Committee will have sole discretion to determine whether a Hardship condition exists and the amount of the distribution. The Committee's determination will be final.

A Participant must submit a written request for a distribution based on Hardship to the Committee on the form and in the manner prescribed by the Committee. The Hardship request must: (i) describe and certify the Hardship condition substantiating the severe unforeseeable emergency and all circumstances necessary to meet the definition of Hardship; (ii) state the amount the Participant requests as a withdrawal of all or a portion of his Deferral Account; and (iii) demonstrate the amounts requested to be distributed do not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated as a result of the distribution. Determinations of amounts necessary to satisfy an emergency must take into account any additional compensation that will be made available due to the restriction on further deferrals set forth below in this Section. The Committee will have sole discretion to determine whether a Hardship exists and to determine the appropriate action, if any, provided however, in no event will the Committee approve a Hardship distribution request for expenses related to any medical condition or expenses related to the death of any person unless the request for distribution is submitted to the Committee and approved by the Committee for Hardship distribution prior to the date on which the expense is incurred. The Committee, in its sole discretion, may make exception to the foregoing rule if it determines that the circumstances creating the expense for which reimbursement is sought were not reasonably foreseeable. Regardless of whether the Participant desires to reduce or cease any Compensation amounts to be deferred after the Hardship request is made, the Participant will be precluded from deferring Compensation for the remainder of the Plan Year in which a Hardship is approved by the Committee.

**2.14 Insolvent** means the Company is (i) unable to pay its debts as they become due or (ii) subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

**2.15 Investment Fund or Funds** means the investment funds designated by the Committee as the basis for determining the investment return to be allocated to Participants' Deferral Accounts. The Committee may change the Investment Funds at such times as it deems appropriate.

**2.16 Participant** means a Director who is eligible to participate in the Plan as provided in Section 3.1 and who has made an election to defer Compensation pursuant to the Plan.

**2.17 Plan** means the Zions Bancorporation Second Restated Deferred Compensation Plan for Directors, as set forth in this document, and as further amended from time to time.

**2.18 Plan Year** means the Company's fiscal year, beginning January 1 and ending December 31.

**Section 2.19 Separation From Service** occurs when the facts and circumstances indicate that the Director's membership on the Board has expired or has been terminated. Termination requires action either by the Company with appropriate notice to the Director or by the Director with appropriate notice to the Company. Expiration does not constitute a good faith and complete termination of the Director's membership on the Board if the Company reasonably anticipates a renewal of the Director's Board membership. The Company reasonably anticipates the renewal of the Director's Board membership if the Company intends to reappoint or retain the Director as a member of the Board. In the event the Director also provides services to the Company as an employee, then (i) the services provided as a Director shall not taken into account in determining whether the Director has a Separation from Service as an employee of the Company for purposes of any non-qualified deferred compensation plan in which the Director participates as an employee, and (ii) the services provided by the Director as an employee shall not be taken into account in determining whether the Director has a Separation from Service as a Director for purposes of this Plan. This provision shall be interpreted and applied in accordance with Code §409A, Treas. Reg. §1.409A-1(h), and other applicable guidance issued by the Internal Revenue Service.

## ARTICLE III

## PARTICIPATION

**3.1 Eligibility**. A Director shall be eligible to participate in the Plan only to the extent and for the period that the Director continues as a member of the Board and receives Compensation. An individual who is a Director as of the first day of the Plan Year but who incurs a Separation from Service during the Plan Year shall continue to participate in the Plan with respect to any Deferred Compensation Agreements in effect for the Plan Year, but shall terminate participation as of the end of the Plan Year. The Participant shall not be permitted to enter into any new Deferred Compensation Agreements with the Company unless and until the individual again becomes a Director.

**3.2 Participation**. A Director who participates in the Plan may elect to defer the receipt of Compensation earned by the Director by completing an agreement as described in Section 3.4. The Director shall make the election in accordance with Section 3.3. The Company shall withhold amounts deferred by the Participant in accordance with this election. The Participant's deferred amounts shall be credited to the Deferral Account as provided in Article V and distributed in accordance with Article VI. An election to defer receipt of Compensation shall continue in effect for a given Plan Year unless the Participant terminates as a Director.

**3.3 Election Procedure**. The Director shall elect to defer Compensation under an agreement described in Section 3.4 by completing a Deferred Compensation Agreement in the form and in the manner prescribed by the Committee. The Agreement must be properly completed in accordance with procedures prescribed by the Committee prior to the first day of the Plan Year for which Compensation shall be earned, provided however, that an individual who becomes a Director for the first time on or after the first day of a Plan Year may within thirty (30) days of the effective date of his appointment make an election to defer Compensation that will be earned after the date such Director by executes a Deferred Compensation Agreement.

**3.4 Deferred Compensation Agreement**. A Deferred Compensation Agreement shall remain in effect for the Plan Year and for all subsequent Plan years until amended or revoked by the Participant or terminated by the Company as provided in Section 3.5. The Deferred Compensation Agreement shall be applicable only to Compensation as defined in this Plan and which is earned after the date on which the Agreement is effective. The Agreement shall define the amount of Compensation that shall be deferred for the Plan Year, and for all subsequent Plan Years and the manner of distribution. The minimum deferral percentage which may be elected by a Director shall be five percent (5%) and all deferral percentages shall be in
five percent (5%) increments. The Committee may, in its discretion, establish a greater minimum deferral percentage amount or incremental deferral percentage for any given Plan Year.

**3.5 Irrevocable Election**. A Participant’s Deferred Compensation Agreement for a given Plan Year cannot be amended by the Participant and, except as provided in Section 3.4 and this Section 3.5, is irrevocable. Any change as to the timing or manner of payment of benefits already credited to a Participant’s Deferral Account (i) must be accomplished by a Participant in accordance with procedures prescribed by the Committee; (ii) will not take effect sooner than the earliest date allowable under 409A; (iii) with respect to a postponement of a distribution (excluding payments for death, Disability or Hardship) the amended election must be completed in accordance with procedures prescribed by the Committee at least 12 months prior to the date the distribution was scheduled to begin; and (iv) no acceleration in payment of a distribution may occur in violation of 409A. The Company reserves the right to modify any Deferred Compensation Agreement to reflect a change in Plan provisions or for administrative convenience, so long as such change complies with section 409A of the Code and does not affect amounts deferred prior to January 1, 2005.

Until December 31, 2007 or such other time as allowed by the Internal Revenue Service, a Participant may amend an existing Deferred Compensation Agreement or complete a new Deferred Compensation Agreement modifying the time and/or form of payment of all or a portion of such Participant’s Deferral Account without regard to the requirement in Section 409A(a)(4) that postponement in starting date for a distribution be for a minimum of five years from the previously selected payment start date. Any such amendment or new election must be made on or before December 31, 2007(or such other date as allowed by the Internal Revenue Service) and must not take effect earlier than 12 months from the date of such amendment .

A Participant's election to defer Compensation under the Deferred Compensation Agreement shall become null and void upon the Participant's termination or retirement from the Board. No Compensation that may be payable after the Participant terminates or retires from the Board and otherwise would be subject to such Agreements shall be deferred under this Plan.

## ARTICLE IV
## COMPANY CONTRIBUTIONS

**4.1 No Company Contributions**. The Company shall not make or credit any additional contributions to the Plan beyond the amounts determined under each Participant’s Deferral Compensation Agreement.

**4.2 Vesting**. A Participant's interest in (i) the Compensation deferred to his or her Deferral Account pursuant to Sections 3.2 through 3.4 of the Plan and (ii) any earnings credited to the Participant's Deferral Account pursuant to Section 5.5 of the Plan, shall be at all times fully vested and nonforfeitable.

## ARTICLE V
## PARTICIPANT ACCOUNT BALANCES

**5.1 Establishment of Accounts**. The Committee may select an independent record keeper (who may be an affiliate of the Company) to establish and maintain a Deferral Account on behalf of each Participant. Contributions and net income (or losses) will be credited to each Deferral Account in accordance with the provisions of this Article.

**5.2 Bookkeeping**. Deferral Accounts will be primarily for accounting purposes and will not restrict the operation of the Plan or require separate earmarked assets to be allocated to any account. The establishment of a Deferral Account will not give any Participant the right to receive any asset held by the Company in connection with the Plan or otherwise.

**5.3 Crediting Deferred Compensation**. Amounts deferred by a Participant will be credited to the Participant's Deferral Account no later than the first business day of the calendar quarter following the date as of which the amount would have been paid to the Participant absent a Deferred Compensation Agreement. This Plan is a restatement of the Prior Plan and includes accounts for all amounts previously deferred under the Prior Plan. Notwithstanding the foregoing, amounts credited and 100% vested to a Deferral Account, will be governed by the language of the Prior Plan.

**5.4 Establishment of Investment Funds**. The Committee shall establish two (2) Investment Funds which will be maintained for the purpose of determining the investment return to be credited to a Participant's Deferral Account. As of the Effective Date the Investment Funds shall consist of an Employer Securities Investment Fund and a Guaranteed Income Investment Fund. The Committee may change from time to time the number, identity or composition of the Investment Funds or discontinue the availability of any Investment Fund. The investment vehicle for the Guaranteed Income Investment Fund shall be determined solely in the discretion of the Committee.

Pursuant to rules adopted by the Committee, each Participant will indicate the Investment Fund or Funds to which credits under Section 5.3 and any existing Deferral Account balance are to be credited. Investment Fund elections by Participants must be made in five percent (5%) increments and at such times and in such manner as the Committee will specify. A Participant may change his or her Investment Fund at any time and in such manner as the Committee may specify. Each Participant shall be provided from time to time with the investment “results” of the selected Investment Funds. The Company's liability to the Participant for amounts in the Deferred Compensation Account will include gains and losses attributed to the Investment Funds selected by the Participant.

**5.5 Crediting Investment Results**. A Participant's Deferral Account balance will be increased or decreased to reflect investment results, as they occur. Deferral Accounts will be credited with the investment return of the Investment Funds in which the Participant elected to be deemed to participate. The credited investment return is intended to reflect the actual performance of the Investment Funds net of any investment or management fees. Nevertheless, no provision of this Plan shall be interpreted to require the Company to actually invest any amounts in any particular fund, whether or not such fund is one of the Investment Funds available for selection by Participants in the Plan.

**5.6 Notification to Participants**. The Committee shall notify each Participant with respect to the status of the Participant's Deferral Account as soon as practicable after the end of each Plan Year. Neither the Company nor the Committee to any extent warrants, guarantees or represents that the value of any Participant's Deferral Account at any time will equal or exceed the amount previously allocated or contributed thereto.

**5.7 Employer Securities**. The Employer Securities in the Employer Securities Investment Fund shall consist of common stock issued by Zions Bancorporation which is readily tradeable on an established securities market. Noncallable preferred stock shall be deemed to be “Employer Securities” if such stock is convertible at any time into stock which constitutes “Employer Securities” hereunder and if such conversion is at a conversion price which (as of the date recorded and booked by the Plan) is reasonable. Preferred stock shall be treated as noncallable if after the call there will be a reasonable opportunity for a conversion which meets the above requirement.

## ARTICLE VI

## DISTRIBUTION OF ACCOUNTS

**6.1 Permissible Payment Events Each** of the following listed events shall be a Permissible Payment Event. Distribution of the Participant’s Deferral Account Balance shall commence at the time specified in Section 6.2 upon the earliest of any Permissible Payment Event to occur.

(a) Separation from Service;

(b) Disability of the Participant;

(c) Death of the Participant;

(d) Occurrence of a Hardship (as defined in Section 2.13) for which approval of a distribution has been approved by the Committee.

**6.2 Time of Payment.** A Participant's Deferral Account balance shall be paid (or commence to be paid) no later than forty-five (45) days following the date the Permissible
Payment Event (as described in Section 6.1) occurs. The actual date of payment shall be determined in the sole discretion of the Company.

**6.3 Manner of Payment.** Participant's vested Deferral Account shall be paid in accordance with the manner elected by the Participant in a valid Deferred Compensation Agreement. An election regarding manner of payment of the Participant's Deferral Account balance (including all future years' contributions) shall be made at the time the Participant first commences participation in the Plan and may be amended thereafter at the election of the Participant in accordance with the provisions of Article III. The choices granted to a Participant shall be a lump sum cash payment, or in four separate annual payments. If no election as to manner of payment has been made by the Participant, the Deferral Account will be paid in a lump sum.

**6.4 Lump Sum Value of Deferred Account Balance.** The value of a Participant's Deferral Account to be distributed in a lump sum shall be determined as of the date the payment is made.

**6.5 Calculation of Installment Amounts.** To the extent payment is made in four separate annual payments, the amount of the annual payment for a particular calendar year shall be determined by valuing the Participant's Deferral Account as of the date of the Permissible Payment Event, after all charges and adjustments for gains and losses through that date. Future annual payments shall be determined each subsequent calendar year in the same manner and shall be adjusted to take into account the value of the Participant's Deferral Account as of the anniversary of the Permissible Payment Event and the number of remaining years over which the separate annual payments are to be made. In the final calendar year (or in any earlier calendar year, if applicable) the separate annual payment shall be adjusted to reflect any earnings or losses on the Participant's Deferral Account in the year of payment, if the effect of continuing payments would be to exhaust the Participant's Deferral Account prior to final payment. Any excess in the Participant's Deferral Account at the final payment shall be made with the final payment.

**6.6 Distribution Upon Death**. In the event the Permissible Payment Event is the death of the Participant prior to receiving all of his or her vested Deferral Account, the Participant's Beneficiary shall receive the unpaid portion of the Participant's Deferral Account in the form of a lump sum cash payment or in four (4) substantially equal annual payments, according to the election(s) of the Participant under Section 6.3. Payment shall commence no later than forty-five (45) days after the Participant dies and the Committee has been provided with written proof of the Participant's death. If distribution is made in a lump sum, then for purposes of this Section 6.6, the value of a Participant's Deferral Account to be distributed shall be determined as of the date the payment is made, and shall be credited with earnings through such date. In the case of a Participant who dies while employed with the Company, the Deferral Account shall be credited with any deferred amounts that would have been credited to the account if the Participant had continued employment with the Company through such date.

**6.7 Cash Payments Only**. All distributions under the Plan will be made in cash by check, unless in the sole discretion of the Company it determines to make a distribution in kind (or partly in kind and partly in cash) from the account, if any, which the Company has established to provide a source of payment for the benefits due a Participant. In the event of a distribution of property, the property will be valued at fair market value as of the date of distribution**.**

**6.8 Disability**. For the purposes of Sections 6.1 and 6.2, in the event of a Participant's Disability, the Participant will be considered to have a Permissible Payment Event as of the date the Participant first meets the definition of Disability as determined by the Committee.

**6.9 Distribution Upon Hardship**. In the event a Participant is entitled to receive a distribution on account of Hardship, the distribution shall be made in the form of a lump sum cash payment. The amount of any Hardship distribution will not exceed the amounts allowable under IRS Guidelines. Payment shall commence as soon as administratively feasible after the Participant's request for hardship distribution has been approved by the Committee.

**6.10 Specified Employee.** Notwithstanding any other provision of this Article VI, any distribution to a person who is a "specified employee" (as defined under Section 409A(a)(2)(b)(i) of the Code) in connection with a Separation from Service may not be made before the date which is 6 months after the date of Separation from Service (or, if earlier, the date of death of the Specified Employee).

**6.11 Grandfather Amounts.** Grandfather amounts shall be governed by the plan language in this Article which was effective prior to January 1, 2005.

## ARTICLE VII
## PLAN ADMINISTRATION

**7.1 Plan Administrator**. This Plan shall be administered by the Committee, which will be the Plan Administrator. The Committee members shall be appointed by and serve at the pleasure of the Board.

**7.2 Administration of the Plan**. The Committee shall have the sole authority to control and manage the operation and administration of the Plan and have all powers, authority and discretion necessary or appropriate to carry out the Plan provisions, and to interpret and apply the terms of the Plan to particular cases or circumstances. The Committee may also select and appoint such advisors, consultants and legal counsel as the Committee shall deem appropriate to aid it in carrying out its responsibilities and duties. All decisions, determinations and interpretations of the Committee will be binding on all interested parties, subject to the claims and appeal procedure necessary to satisfy the minimum standard of ERISA Section 503, and will be given the maximum deference allowed by law. The Committee may delegate in writing its responsibilities as it sees fit.

Committee members who are Participants will abstain from voting on any Plan matters that relate primarily to themselves or that would cause them to be in constructive receipt of amounts credited to their respective Deferral Account. The Board will identify three or more individuals to serve as a temporary replacement of the Committee members in the event that all three members must abstain from voting.

**7.3 Indemnification**. The Company will and hereby does indemnify and hold harmless any of its employees, officers, directors or members of the Committee who have discretionary or administrative responsibilities with respect to the Plan from and against any and all losses, claims, damages, expenses and liabilities (including reasonable attorneys' fees and amounts paid, with the approval of the Board, in settlement of any claim) arising out of or resulting from the implementation of a duty, act or decision with respect to the Plan, so long as such duty, act or decision does not involve gross negligence or willful misconduct on the part of any such individual.

**7.4 Claims Procedure**. A Participant or his Beneficiary (the "Claimant") may file a written claim for benefits under the Plan with the Committee. Within sixty (60) days of the filing of the claim, the Committee shall notify the Claimant of the Committee's decision whether to approve the claim. Such notice shall include specific reasons for any denial of the claim. Within sixty (60) days of the date the Claimant was notified of the denial of a claim, the Claimant may appeal the Committee's decision by making a written submission containing any pertinent information. Any decision not appealed within such sixty (60)-day period shall be final, binding and conclusive. The Committee shall review information submitted with an appeal and render a decision within sixty (60) days of the submission of the appeal. If it is not feasible for the Committee to render a decision on an appeal within the prescribed sixty (60)-day period, the period may be extended to a one hundred twenty (120)-day period.

## ARTICLE VIII
## AMENDMENT AND TERMINATION

**8.1 Authority to Amend Plan Termination**. The Committee has the power and authority in its sole discretion to adopt amendments and make further changes to the Plan, to the extent that:

**(a)** the amendment or change is designed to clarify a provision or provisions of the Plan; or

**(b)** the amendment is designed or intended to maintain or to bring the Plan into compliance with applicable Federal or state law; or

**(c)** the amendment will not create or result in a significant increase in the cost to the Company or any subsidiary thereof of maintaining or operating the Plan or have a material,
substantive effect on the rights or obligations of the Company or any subsidiary thereof with respect to the Plan.

**8.2 Residual Authority to Amend or Terminate the Plan.** Any amendment to the Plan which would create or result in a significant increase in the cost to the Company or any subsidiary thereof to maintain or operate the Plan, which would have a material, substantive effect on the rights or obligations of the Company or any subsidiary thereof, which would decrease or substantially or materially increase the benefits of any Director, Participant or Beneficiary, or which is not permitted to be made by the Committee under Section 8.1 must be adopted or ratified by the Board.

The Board has sole authority to terminate the Plan in its entirety, which it may do at any time and for any reason. No termination of the Plan will reduce or eliminate any Participant's Deferral Account balance as of the date of the termination or any other date. Upon termination of the Plan, each Participant's Deferral Account shall be distributed to the Participant at the times and in accordance with the distribution rules set forth in Article VI.

## ARTICLE IX
## MISCELLANEOUS

**9.1 Funding Arrangements**. The Committee shall determine the amounts it deems necessary or appropriate to fund the Company's obligation to pay Deferral Accounts. Such amounts shall be held in trust by a trustee selected by the Committee, and shall be earmarked to pay benefits under the terms of the Plan. The Committee will direct the Company to make periodic contributions to the trust at such times and in such amounts as the Committee deems appropriate.

Trust assets cannot be diverted to, or used for, any purpose except payments to Participants and Beneficiaries under the terms of the Plan or, if the Company is Insolvent, to pay the Company's creditors. Participants and Beneficiaries will have no right against the Company with respect to the payment of any portion of the Participant's Deferral Account, except as a general unsecured creditor of the Company.

**9.2 Nonalienation**. No benefit or interest of any Participant or Beneficiary under this Plan will be subject to any manner of assignment, alienation, anticipation, sale transfer, pledge or encumbrance, whether voluntary or involuntary. Notwithstanding the foregoing, the Committee will honor community property or other marital property rights, but only to the extent required by law. Prior to distribution to a Participant or Beneficiary, no Deferral Account balance will be in any manner subject to the debts, contracts, liabilities, engagements or torts of the Participant or Beneficiary. Assets held in trust to fund this Plan may, however, be diverted to pay the Company's creditors, if the Company is Insolvent.

**9.3 Domestic Relations Order.** In the event the Committee receives a Domestic Relations Order from a potential Alternate Payee, the Committee shall promptly notify the
Participant, or Beneficiary whose benefit is the subject of such order and provide him/her with information concerning the Plan's procedures for administering QDROs. Unless and until the order is set aside, the following provisions shall apply:

**(a) Committee Determination.** The Committee shall within a reasonable time determine whether the order is a QDRO and shall notify the Participant or Beneficiary whose benefit is the subject of the order, of its determination. The Committee may designate a representative to carry out its duties under this provision.

**(b) Compliance with Section 409A.** Nothing in this Section 9.3(b) shall violate Section 409A of the Code and any regulations promulgated hereunder and no payment shall occur prior to the date that the Participant whose benefits are subject to the QDRO would have been entitled to receive payment in accordance with any Deferred Compensation Agreement in existence as of the date of the QDRO. In the event that the QDRO applies to deferrals which occur after the date of the QDRO, the Alternate Payee shall be entitled to a distribution on such future deferrals on the date that the Participant would have been entitled to receive payment

**9.4 QDRO definitions**. For purposes of Section 9.3 the following definitions and rules shall apply:

**(a)** "**Alternate Payee**" shall mean any spouse, former spouse, child or other dependent of a Participant who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to the Participant.

**(b)** "**Domestic Relations Order**" shall mean any judgment, decree, or order (including approval of a property settlement agreement) which:

(i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, child, or other dependent of a Participant; and

(ii) is made pursuant to a state domestic relations law (including a community property law).

**(c)** "**Qualified Domestic Relations Order**" shall mean any Domestic Relations Order which satisfies the criteria set forth as a QDRO under policies established by the Committee.

**9.5 Limitation of Rights**. Nothing in this Plan will be construed to give a Participant the right to continue as a member of any Board or at any particular position or to interfere with the right of the Company to terminate a Participant from the board at any time and for any reason.

**9.6 Section 409A.** This Plan is intended to meet the requirements of Section 409A of the Code, and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the
extent that a distribution, payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Committee otherwise determines in writing, the
Deferral Account shall be paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including

regulations or other guidance issued with respect thereto, such that the payment, settlement or deferral shall not be subject to the excise tax applicable under Section 409A of the Code. Any provision of this Plan that would cause the Deferral Account or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

**9.7 Governing Law**. To the extent that state law applies, the provisions of this Plan will be construed, enforced and administered in accordance with the laws of the state of Utah, except to the extent pre-empted by ERISA.

**9.8 Grandfather Amounts.** The provisions of Sections 9.3, 9.4, and 9.6 shall apply to Grandfather Amounts.

IN WITNESS WHEREOF, the Committee, acting on behalf of the Company under authority duly and specifically granted by the Board, has executed this Zions Bancorporation Deferred Compensation Plan as of the 26th day of July, 2013.

**ZIONS BANCORPORATION**
**BENEFITS COMMITTEE**
**for and on behalf of ZIONS BANCORPORATION**

By: /s/ Diana M. Andersen
Title: SVP & Director of HR Benefits

(Back To Top)

# Section 6: EX-10.8 (AMEGY BANCORP, INC. FIFTH AMENDED AND RESTATED NON-EMPLOYEE DIRECTORS DEF FEE)

EXHIBIT 10.8

AMEGY BANCORPORATION, INC.
FIFTH AMENDED AND RESTATED NON-EMPLOYEE DIRECTORS
DEFERRED FEE PLAN

1. Purpose. The purpose of the Plan is to provide Non-Employee Directors an opportunity to defer payment of all or a portion of their Director's Fees in accordance with the terms and conditions set forth herein.

2. Definitions. For the purposes of the Plan, the following capitalized words shall have the meanings set forth below:

"Advisory Director" means an advisory director of the Bank Board and any member of any advisory board of directors or similar group or committee that may be constituted from time to time by the Board, the Bank Board, or management of the Company or the Bank.

"Bank" means Amegy Bank N.A., a wholly-owned subsidiary of the Company.

"Bank Board" means the Board of Directors of the Bank.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Benefits Committee of the Company.

"Common Stock" means the common stock of the Company.

"Company" means Zions Bancorporation.

"Deferral Election Form" means a document, in a form approved by the Committee, pursuant to which a Non-Employee Director makes a deferral election under the Plan.

"Deferral Period" means each calendar year. The first Deferral Period under the Plan shall commence January 1, 2002. If an individual becomes eligible to participate in the Plan after the commencement of a Deferral Period, the Deferral Period for that individual shall be the remainder of such Deferral Period following his Election Date.

"Deferred Benefit" means an amount that will be paid on a deferred basis under the Plan.

"Deferred Compensation Account" means the bookkeeping account established for each Non-Employee Director for purposes of measuring his or her Deferred Benefit and shall include subaccounts for Deferred Benefits that are to be paid at different times and/or in a different manner.

"Director's Fee" means the cash portion of the annual retainer fee and any other fees payable for service on the Bank Board, including, without limitation, any meeting fees or fees for serving as a chair of any committee of the Bank Board or any fees received as an Advisory Director.

“Election Date” means the day immediately preceding the commencement of a Deferral Period. If an individual first becomes eligible to participate in the Plan after the start of a Deferral Period, the Election Date shall be not later than the thirtieth day following the initial date such individual became a Non-Employee Director.

“Fair Market Value” means the closing sales price of a share of Common Stock on the applicable date (or, if there was no trading in the shares on such date, on the next preceding date on which there was trading) on the principal exchange or system on which the shares are sold, as reported in The Wall Street Journal or other reporting service approved by the Committee.

“Non-Employee Director” means a member of the Bank Board and an Advisory Director who is not an employee of the Company or any of its subsidiaries.

“Plan” means this the Amegy Bancorporation, Inc. Non-Employee Directors Deferred Fee Plan as amended or restated from time to time.

“Separation from Service” occurs when the facts and circumstances indicate that the Non-Employee Director’s membership on the Board has expired or has been terminated. Termination requires action either by the Company with appropriate notice to the Non-Employee Director or by the Non-Employee Director with appropriate notice to the Company. Expiration does not constitute a good faith and complete termination of the Non-Employee Director’s membership on the Board if the Company reasonably anticipates a renewal of the Non-Employee Director’s Board membership. The Company reasonably anticipates the renewal of the Non-Employee Director’s Board membership if the Company intends to reappoint or retain the Non-Employee Director as a member of the Board.

3. Administration.

(a) The Plan shall be administered by the Committee.

(b) The Committee shall have the sole authority to control and manage the operation and administration of the Plan and have all powers, authority and discretion necessary or appropriate to carry out the Plan provisions, and to interpret and apply the terms of the Plan to particular cases or circumstances. The Committee may also select and appoint such advisors, consultants and legal counsel as the Committee shall deem appropriate to aid it in carrying out its responsibilities and duties. All decisions, determinations and interpretations of the Committee will be binding on all interested parties, subject to the claims and appeal procedure necessary to satisfy the minimum standard of ERISA Section 503, and will be given the maximum deference allowed by law. The Committee may delegate in writing its responsibilities as it sees fit.

Committee members who are Participants will abstain from voting on any Plan matters that relate primarily to themselves or that would cause them to be in constructive receipt of amounts credited to their respective Deferred Compensation Account. The Board will identify three or more individuals to serve as a temporary replacement of the Committee members in the event that all three members must abstain from voting.

(c) Each member of the Committee and each other person acting at the direction of or on behalf of the Committee shall not be liable for any determination or anything done or omitted to be done by him or by any other member of the Committee or any other such individual in connection with the Plan, except for his own gross negligence or willful misconduct or as expressly provided by statute, and to

the extent permitted by law and the bylaws of the Company, shall be fully indemnified and protected by the Company with respect to such determination, act or omission.

4. Shares Available. The Company is authorized to credit up to 125,000 Stock Units and to issue up to 125,000 shares of Common Stock, respectively, under the Plan (the "Plan Limit"). Such shares of Common Stock may be newly issued shares of Common Stock or reacquired shares of Common Stock held in the treasury of the Company.

5. Deferral of Director's Fees.

(a) Deferral Elections.

(i) General Provisions. Unless the Committee provides otherwise, Non-Employee Directors may elect to defer all, one-half or none of their Director's Fees with respect to a Deferral Period in the manner provided in this Section 5. A Non-Employee Director's Deferred Benefit is at all times nonforfeitable.

(ii) Deferral Election Forms. In order for a Non-Employee Director to participate in the Plan for a given Deferral Period, a Deferral Election Form, completed and signed by him, must be delivered to the Company on or prior to the applicable Election Date or such earlier date specified by the Committee. A Deferral Election Form shall remain in effect only for Deferral Period for that Election Date. A Non-Employee Director electing to participate in the Plan shall indicate on his Deferral Election Form:

(A) the percentage of the Director's Fees for the Deferral Period to be deferred, which election shall be irrevocable for such Deferral Period, and

(B) the timing and manner of payment of the Director's Fees deferred for that Deferral Period. Any subsequent change as to the timing and manner of payment of Deferred Benefits already credited to the Non-Employee Director's Deferred Compensation Account must (i) be made at least 12 months prior to the date of the schedule payment or commencement of payment; (ii) delay the subsequent payment or commencement of payment at least five years after the date on which such payment or commencement of payment would otherwise have been made or commenced; and shall not be effective for 12 months following the change.

(iii) Time and/or Manner of Distribution. All distributions shall commence as soon as reasonably practicable following a Separation from Service and in the form of a lump sum unless an earlier time and/or manner of distribution is specified in a properly completed and delivered Deferral Election Form.

(iv) Effect of No Deferral Election. A Non-Employee Director who does not have a completed Deferral Election Form on file with the Company on or prior to the applicable Election Date for a Deferral Period may not defer his Director's Fees for such Deferral Period.

(b) Establishment of Deferred Compensation Accounts. A Non-Employee Director's deferrals will be credited to a Deferred Compensation Account set up for that Non-Employee Director by the Company in accordance with the provisions of this Section 5.

(c) Crediting of Stock Units to Deferred Compensation Accounts.

(i) Number of Stock Units. The portion of the Director's Fees that a Non-Employee Director elects to defer shall be credited to the Participant's Deferral Account no later than the first business day of the calendar quarter following the date as of which the amount would have been paid to the Participant absent a Deferral Election Form. The number of Stock Units to be credited to the Deferred Compensation Account shall be determined by dividing (1) the amount of the Director's Fees deferred during such quarter by (2) the Fair Market Value of a share of Common Stock as of the date of crediting, and (3) multiplying such result by 1.25.

(ii) Dividends. No adjustment or credit will be made to a Deferred Compensation Account by reason of the making of any distribution in respect of the Common Stock, other than a transaction described in Section 7(b).

(iii) No Rights as Stockholder. The crediting of Stock Units to a Non-Employee Director's Deferred Compensation Account shall not confer on the Non-Employee Director any rights as a stockholder of the Company.

(iv) Conversion of Stock Units. The conversion of Stock Units based on stock of Amegy Bancorporation, Inc. to stock of the Company shall be determined by the Company.

(d) Written Statements of Account. The Company will furnish each Non-Employee Director with a statement setting forth the value of such Non-Employee Director's Deferred Compensation Account as of the end of each Deferral Period and all credits to and payments from the Deferred Compensation Account during the Deferral Period. Such statement will be furnished as soon as reasonably practical after the end of the Deferral Period.

(e) Manner of Payment of Deferred Benefit. Payment of the Deferred Benefits shall be in shares of Common Stock. Payment shall be made either in a single lump sum or in a series of five or fewer annual installments, as elected by the Non-Employee Director at the time of the deferral. The amount of each installment payment to a Non-Employee Director shall be determined in accordance with the formula B/(N-P), where "B" is the total value of the Deferred Compensation Account as of the installment calculation date, "N" is the number of installments elected by the Non-Employee Director and "P" is the number of installments previously paid to the Non-Employee Director. Any partial unit resulting in the calculation above will be settled in cash.

(f) Commencement of Payment of Deferred Benefit. Payment of a Non-Employee Director's Deferred Compensation Account, including subaccounts, shall commence as soon as reasonably practicable after the earlier to occur of:

(i) his or her Separation from Service as a Non-Employee Director; and

(ii) the date specified in the Deferral Election Form executed by the Non-Employee Director;

Notwithstanding the foregoing provisions of this subsection (f), if the Non-Employee Director is employed by the Company or the Bank following his or her Separation from Service as a Non-Employee Director, then payment of such account shall not commence until his or her Separation from Service with the Company or the Bank. A Separation from Service under the immediately preceding sentence occurs when the facts and circumstances indicate that an employee and the Company or the Bank reasonably anticipate that no further services would be performed after a certain date (whether as an employee or as an independent contractor) or that the level of bona fide services the employee would perform after such

date (whether as an employee or an independent contractor) would permanently decrease to no more than 40 percent of the average level of bona fide services performed (whether as an employee or independent contractor) over the immediately preceding 36 month period (or the full period services to the Company or Bank if the employee has been providing services to the Company or Bank less than 36 months) and in accordance with Code §409A, Treas. Reg. §1.409A-1(h), and other applicable guidance issued by the Internal Revenue Service. Further, if he or she is a "specified employee' as defined under Section 409A(a)(2)(b)(i) of the Code or the regulations promulgated thereunder, payment of a such participant's Non-Employee Director's Deferred Compensation Account cannot be made before the earlier of (i) the date that is six months after the date of the specified employee's Separation from Service; or (ii) the date of the specified employee's death.

(g) Death. In the event of a Non-Employee Director's death, the Non-Employee Director's entire Deferred Benefit will be distributed in a lump sum to the Non-Employee Director's beneficiary as soon as reasonably practicable after the date of death.

(h) Restrictions on Transfer. The Company shall pay all Deferred Benefits payable under the Plan only to the Non-Employee Director or beneficiary designated under the Plan to receive such amounts. Neither a Non-Employee Director nor his beneficiary shall have any right to anticipate, alienate, sell, transfer, assign, pledge, encumber or change any benefits to which he may become entitled under the Plan, and any attempt to do so shall be void. A Deferred Benefit shall not be subject to attachment, execution by levy, garnishment, or other legal or equitable process for a Non-Employee Director's or beneficiary's debts or other obligations.

(i) Domestic Relations Order. In the event the Committee receives a Domestic Relations Order from a potential Alternate Payee, the Committee shall promptly notify the Non-Employee Director, Former Non-Employee Director or Beneficiary whose benefit is the subject of such order and provide him/her with information concerning the Plans' procedures for administering QDROs. Unless and until the order is set aside, the following provisions shall apply:

(i) The Committee shall within a reasonable time determine whether the order is a QDRO and shall notify the Non-Employee Director, Former Non-Employee Director or Beneficiary whose benefit is the subject of the order, of its determination. The Committee may designate a representative to carry out its duties under this provision.

(ii) Nothing in this Section 5(i) shall be deemed to allow payment under a QDRO to an Alternate Payee of any benefit which would violate Section 409A of the Code and any regulations promulgated hereunder and no payment shall occur prior to the date that the Non-Employee Director or Former Non-Employee Director whose benefits are subject to the QDRO would have been entitled to receive payment in accordance with any Deferral Election in existence as of the date of the QDRO. In the event that the QDRO applies to deferrals which occur after the date of the QDRO, the Alternate Payee shall be entitled to a distribution on such future deferrals on the date that the Non-Employee Director or Former Non-Employee Director would have been entitled to receive payment

(j) QDRO definitions. For purposes of 5(i) the following definitions and rules shall apply:

(i) "Alternate Payee" shall mean any spouse, former spouse, child or other dependent of a Non-Employee Director or Former Non-Employee Director who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable under this Plan with respect to the Non-Employee Director or Former Non-Employee Director.

(ii) “Domestic Relations Order” shall mean any judgment, decree, or order (including approval of a property settlement agreement) which:

A. relates to the provision of child support, alimony payments, or marital property rights to a spouse, child, or other dependent of a Non-Employee Director or Former Non-Employee Director and

B. is made pursuant to a state domestic relations law (including a community property law).

(iii) “Qualified Domestic Relations Order” shall mean any Domestic Relations Order which satisfies the criteria set forth as a QDRO under policies established by the Committee.

(k) Change in Ownership or Effective Control. In the event there is a “Change in Ownership or Effective Control” regarding the Company, then notwithstanding any the terms of any Deferral Election, all Deferred Benefits under this Plan shall become due and payable upon the date established by the Committee as the effective date of the change of control. Notwithstanding the foregoing, with respect to “Specified Employees” as defined under Section 409A of the Code, Specified Employee’s benefits will be payable 6 months after the date non Specified Employee’s Deferred Benefits are payable under this Section 5(k). For purposes of this paragraph, “Change in Ownership or Effective Control” shall mean a change in ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company as determined under Section 409A of the Code or regulations promulgated there under.

6. Designation of Beneficiary.

(a) Beneficiary Designations. Each Non-Employee Director may designate a beneficiary to receive any Deferred Benefit due under the Plan on the Non-Employee Director’s death by executing a beneficiary designation form provided by the Company.

(b) Change of Beneficiary Designation. A Non-Employee Director may change an earlier beneficiary designation by executing a later beneficiary designation form and delivering it to the Company. The execution of a beneficiary designation form and its receipt by the Company revokes and rescinds any prior beneficiary designation form.

7. Recapitalization or Reorganization.

(a) Authority of the Company and Stockholders. The existence of the Plan shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company’s capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks having rights superior to or affecting the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Change in Capitalization. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reclassification, reorganization, merger, consolidation, stock split, combination, exchange of shares or

other transaction: (i) such proportionate adjustments as may be necessary (as determined by the Committee in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Non-Employee Directors under the Plan with respect to the aggregate number of shares of Common Stock authorized to be awarded under the Plan and the number of Stock Units credited to a Non-Employee Director's Deferred Compensation Account, and (ii) the Committee may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company and to the extent permitted by Section 409A of the Code, all Deferred Benefits credited to the Non-Employee Director's Deferred Compensation Account as of the date of the consummation of a proposed dissolution or liquidation shall be paid in cash to the Non-Employee Director or, in the event of death of the Non-Employee Director prior to payment, to the beneficiary thereof on the date of the consummation of such proposed action. The cash amount paid for each Stock Unit shall be the Fair Market Value of a share of Common Stock as of the date of the consummation of such proposed action.

8. Plan Limit, Termination and Amendment of the Plan.

(a) Plan Limit. If the Plan Limit has been reached, no additional Director Fees may be deferred after that date and any dividend equivalents credited thereafter shall be credited as a bookkeeping "cash" amount, rather than as Stock Units, and shall be credited with interest, until paid in cash, at the Company's prime rate of interest each valuation date.

(b) General Power of Board. Notwithstanding anything herein to the contrary, the Board may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part and, upon termination of the Plan, immediately settle all Stock Units in shares of Common Stock notwithstanding any deferral elections to the contrary; provided, however, that no such termination, modification, suspension or amendment shall be effective without stockholder approval if such approval is required to comply with any applicable law or stock exchange rule; and, provided further, that the Board may not, without stockholder approval, increase the maximum number of shares issuable under the Plan, except as provided in Section 7(b) above.

Notwithstanding anything herein to the contrary, (i) no amendment shall be made to the Plan with respect to any amount deferred and vested prior to January 1, 2005 unless such amendment explicitly provides that it is applicable to such amount; and (ii) except as the Committee otherwise determines in writing, no distribution shall be made upon termination of the Plan if such distribution shall be subject to the excise tax applicable under Section 409A of the Code.

9. Miscellaneous.

(a) No Right to Reelection. Nothing in the Plan shall be deemed to create any obligation on the part of the Board or Bank Board to nominate any of its members for reelection by the Company's stockholders, nor confer upon any Non-Employee Director the right to remain a member of the Board or Bank Board or an Advisory Director for any period of time, or at any particular rate of compensation.

(b) Unfunded Plan.

(i) Generally. This Plan is unfunded. Amounts payable under the Plan will be satisfied solely out of the general assets of the Bank subject to the claims of the Bank's creditors, except to the extent the Company determines to create a Rabbi Trust to hold assets to satisfy any amounts due participants under this Plan.

(ii) Deferred Benefits. A Deferred Benefit represents at all times an unfunded and unsecured contractual obligation of the Company and each Non-Employee Director or beneficiary will be a general unsecured creditor of the Bank. No Non-Employee Director, beneficiary or an other person shall have any interest in any fund or in any specific asset of the Bank by reason of any amount credited to him hereunder, nor shall any Non-Employee Director, beneficiary or any other person have any right to receive any distribution under the Plan except as, and to the extent, expressly provided in the Plan.

(c) Other Compensation Arrangements. Benefits received by a Non-Employee Director pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other arrangement provided by the Company.

(d) Securities Law Restrictions. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission or any exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(e) Expenses. The costs and expenses of administering the Plan shall be borne by the Bank.

(f) Applicable Law. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to conflicts of law principles.

(g) Effective Date. The Plan shall be effective as of January 1, 2002, with amendments effective as of November 5, 2003. The second amendment and restatement of the Plan shall be effective January 1, 2005, and shall be effective only with respect to amounts deferred and vested on or after January 1, 2005. The fourth amended and restated version of the plan, to the extent necessary to comply with 409A of the Code is deemed effective January 1, 2005. The remaining portions of the fourth amended and restated versions will become effective upon approval by the Board. Accordingly, amounts deferred and vested under the Plan prior to January 1, 2005 shall not be subject to the provisions of this second, third and fourth amendments and restatements but shall be subject to the provisions of the Plan in place prior to such amendment and restatement.

(h) Section 409A. This Plan is intended to meet the requirements of Section 409A of the Code, and shall be administered in a manner that is intended to meet those requirements and shall be construed and interpreted in accordance with such intent. To the extent that an award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, except as the Committee otherwise determines in writing, the award shall be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, including regulations or other guidance issued with respect thereto, such that the grant, payment, settlement or deferral shall not be subject to the excise tax applicable under Section 409A of the Code. Any provision of this Agreement that would cause the award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code.

IN WITNESS WHEREOF, the Company by its duly authorized officer has executed this Amegy Bancorporation, Inc. Non-Employee Directors Deferred Fee Plan as of the 26th day of July, 2013.

**ZIONS BANCORPORATION BENEFITS COMMITTEE, AS AUTHORIZED**

By: /s/ Diana M. Andersen
Title: SVP & Director of HR Benefits

(Back To Top)

# Section 7: EX-10.12 (TRUST AGREEMENT ESTABLISHING THE ZIONS BANCORPORATION DEF COMP TURST)

EXHIBIT 10.12

TRUST AGREEMENT
establishing
the
ZIONS BANCORPORATION DEFERRED COMPENSATION PLAN
TRUST
by and between
ZIONS BANCORPORATION
and
CIGNA BANK & TRUST COMPANY, FSB
TABLE OF CONTENTS


| | | PAGE |
|---|---|---|
| Section 1 | Establishment of Trust | 1 |
| Section 2 | Payments to Plan Participants and Their Beneficiaries | 2 |
| Section 3 | Trustee Responsibility Regarding Payments to Trust Beneficiary When Company is Insolvent | 3 |
| Section 4 | Payments to Company | 4 |
| Section 5 | Investment Authority | 4 |
| Section 6 | Disposition of Income | 4 |
| Section 7 | Accounting by Trustee | 4 |
| Section 8 | Responsibility of Trustee | 5 |
| Section 9 | Compensation and Expenses of Trustee | 6 |
| Section 10 | Resignation and Removal of Trustee | 6 |
| Section 11 | Appointment of Successor | 7 |
| Section 12 | Amendment or Termination | 7 |
| Section 13 | Miscellaneous | 7 |

Section 14 Effective Date 8

(a) This Agreement made this 1st day of October, 2002, by and between Zions Bancorporation (the “Company”) and CIGNA Bank & Trust Company, FSB, a federal savings bank with its principal office and place of business in Hartford, Connecticut (the “Trustee”);

(b) WHEREAS, Company has adopted the Zions Bancorporation Deferred Compensation Plan (the “Plan”);

(c) WHEREAS, Company has incurred or expects to incur liability under the terms of such Plan with respect to the individuals participating in such Plan;

(d) WHEREAS, the Company wishes to establish the Zions Bancorporation Deferred Compensation Plan Trust (hereinafter called “Trust”or “Trust Fund”) and to contribute to the Trust assets that shall be held herein, subject to the claims of Company’s creditors in the event of Company’s insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan;

(e) WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation and/or benefits for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974;

(f) WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist in the meeting of its liabilities under the Plan.

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust.

(a) Company hereby deposits with Trustee in trust certain good and valuable consideration, which shall become the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Trust Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) The Trust is intended to be a grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

1The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company’s general creditors under federal and state law in the event of insolvency, as defined in Section 3(a) herein.

(e) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits.

Section 2. Payments to Plan Participants and Their Beneficiaries.

(a) Company shall deliver to Trustee a schedule (the “Payment Schedule”) that indicates the amounts payable in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan), and the time of commencement for payment of such amounts. Except as otherwise provided herein, Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall make provisions for reporting and withholding of any federal, state or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of the Plan and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld and paid by Company.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan shall be determined by Company or such party as it shall designate under the Plan, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plan.

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan. Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. Trustee shall require Company to provide reasonable written documentation that such payments have been made directly to such participant or beneficiary. In addition, if the principal

of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan, Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary When Company is Insolvent.

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Company is insolvent. Company shall be considered "insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code, or (iii) Company is determined to be insolvent.

(b) At all times during the continuance of this Trust, as provided in Section l(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform Trustee in writing of Company's insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become insolvent, Trustee shall determine whether Company is insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries.

(2) Unless Trustee has actual knowledge of Company's insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is insolvent, Trustee shall have no duty to inquire whether Company is insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan or otherwise.

3Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not insolvent (or is no longer insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants and their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments to Company.

Except as provided in Section 3 hereof, after the Trust has become irrevocable, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payment[s] of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plan.

Section 5. Investment Authority.

Trustee shall have the power to invest the assets of the Trust Fund in such investment vehicles as directed by the Company, including insurance policies or securities (including stock or rights to acquire stock) or obligations issued by Company. All rights associated with assets of the Trust shall be exercised by Trustee or the person designated by Trustee pursuant to the Company's direction, and shall in no event be exercisable by or rest with Plan participants.

Section 6. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 7. Accounting by Trustee.

The Trustee has accepted this Trust on the condition that the Company has entered or is entering into a service agreement with Connecticut General Life Insurance Company ('Connecticut General") whereby Connecticut General will provide recordkeeping services for all assets held pursuant to this Trust Agreement. The Trustee shall be required to forward to the Company, or require Connecticut General to forward to the Company, the recordkeeping reports and related financial information provided by Connecticut General, but the Trustee shall not otherwise be required to provide Trust accounts.

4Section 8. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company or any delegate appointed by the Company which is contemplated by, and in conformity with, the terms of the Plan or this Trust and is given in writing by

Company or its delegate. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute.

(b) If Trustee undertakes or defends any litigation arising in connection with this Trust, Company agrees to indemnify Trustee against Trustee's costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust.

(c) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder, including recordkeeping, reporting, custody of assets or proxy voting. Such agents may include affiliates of the Trustee.

(d) Trustee shall have, without exclusion, all powers conferred in Trustees in accordance with applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor trustee, or to loan to any person the proceeds of any borrowing against such policy.

(e) The Company shall indemnify and hold harmless the Trustee from and against any and all claims, losses, damages, expenses (including reasonable counsel fees) and liability to which the Trustee may be subject by reason of any act done or omitted to be done, except where the same is finally adjudicated to be due to the negligence or willful misconduct of the Trustee.

(f) In addition to and in no way in limitation of the indemnification of paragraph (e) of this section, the Company hereby agrees to indemnify and hold harmless the Trustee from and against any claims, losses, damages, expenses (including reasonable counsel fees) and liability to which the Trustee may be subject by reason of any act or omission of any prior, subsequent or existing trustee of the Plan.

5The Trustee shall be responsible only for such assets as are actually received by it as Trustee hereunder. The Trustee shall have no duty or authority to ascertain whether any contributions should be made to it pursuant to the Plan or to bring any action to enforce any obligation to make any such contribution, nor shall it have any responsibility concerning the amount of any contribution or the application of the Plan's contribution formula. The Trustee shall have no responsibility for any assets not held under this Trust, even if those assets are held as assets of the Plan under a separate trust agreement. Responsibility for any such assets shall be solely that of the trustees named in such separate trust agreement, or, in the event no such separate trust exists, the Company.

Section 9. Compensation and Expenses of Trustee.

Company shall pay all administrative and Trustees' fees and expenses in accordance with a fee schedule provided to the Company. In addition, Trustee shall be paid its reasonable expenses, including reasonable expenses of counsel and other agents employed by the Trustee, incurred in connection with administration of the Trust Fund. If the Trustee proposes an amended fee schedule and the Company fails to object thereto within ninety (90) days of its receipt, the amended fee schedule shall be deemed accepted by the Company. If not paid, the fees and expenses shall be paid from the Trust.

Section 10. Resignation and Removal of Trustee.

(a) Trustee may resign at any time by written notice to Company, which shall be effective 30 (thirty) days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Trustee may be removed by Company on 30 (thirty) days notice or upon shorter notice accepted by Trustee.

(c) The Trustee's service pursuant to this Agreement is conditioned upon the existence of one or more contracts between the Company and Connecticut General providing for full Plan recordkeeping services. In the event the contract providing for such recordkeeping services is discontinued or terminated, this Trust Agreement shall be terminated as well with no further notice from either party to the other as of the date of discontinuance or termination of the contract providing for Plan recordkeeping services.

(d) Upon resignation or removal of Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within 30 days after receipt of notice of resignation, removal or transfer, unless Company extends the time limit.

6If Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 11 hereof, by the effective date of resignation or removal under paragraph(s) (a), (b) or (c) of this section. If no such appointment has been made, Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 11. Appointment of Successor.

If Trustee resigns or is removed in accordance with Section 10(a), (b) or (c) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace

Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

Section 12. Amendment or Termination.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan or shall make the Trust revocable after it has become irrevocable in accordance with Section l (b) hereof.

(b) The Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan. Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

Section 13. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

7This Trust Agreement and the Trust hereby created shall be governed, construed, administered and regulated in all respects in accordance with the laws of Connecticut.

(d) This Trust Agreement shall be binding upon the respective successors and assigns of the Employer and the Trustee.

(e) In the event of any conflict between provisions of the Plan and those of this Trust Agreement, this Trust Agreement shall prevail.

Section 14. Effective Date.

The effective date of this Trust Agreement shall be October 1, 2002.

| Attest: | ZIONS BANCORPORATION | |
|---|---|---|
| ______________________ | By | /s/ W. David Hemingway |
| | Its | |
| | Date | 8/9/2002 |

| Attest: | CIGNA BANK & TRUST COMPANY, FSB | |
|---|---|---|
| ______________________ | By | /s/ Lori Thielen |
| | Its | |
| | Date | 8/9/2002 |

(Back To Top)

# Section 8: EX-10.13 (AMENDMENT TO THE TRUST AGREEMENT ESTABLISHING DEF COMP PLANS TRUST)

EXHIBIT 10.13

**AMENDMENT TO THE TRUST AGREEMENT**
**Establishing the**
**ZIONS BANCORPORATION DEFERRED COMPENSATION PLANS TRUST**

WHEREAS, the Zions Bancorporation Deferred Compensation Plans Trust (hereinafter called the “Trust”) was established by and between Zions Bancorporation (hereinafter called the “Employer”), and Prudential Bank & Trust, FSB, a federal savings bank with its principal office and place of business in the City of Hartford, Connecticut; in connection with and as part of the Zions Bancorporation Deferred Compensation Plans (hereinafter called the “Plan”); and

WHEREAS, effective September 1, 2006, the Employer wishes to amend the Schedule of Covered Plans (Exhibit A of the Trust Agreement) to remove plans held under the trust;

NOW THEREFORE, the Trust Agreement is hereby amended effective September 1, 2006 as follows:

1. The Schedule of Covered Plans (Exhibit A of the Trust Agreement) is deleted in its entirety and replaced by the updated Schedule of Covered Plans attached hereto and forms a part hereof.

IN WITNESS WHEREOF, this amendment has been executed on the dates indicated below.

EMPLOYER PRUDENTIAL BANK & TRUST, FSB

By: _/s/ Diana M. Anderson___________ By: _/s/ Andrew Levesque___________
Its: _SVP, Director fo Corp. Benefits____ Its: _Trust Officer__________________

Date: _2/15/2007_____________ Date: _2/16/2007________________

EXHIBIT A

SCHEDULE OF COVERED PLANS

1. Zions Bancorporation Excess Benefit Plan

2. Zions Bancorporation Post 2004 Excess Benefit Plan

(Back To Top)

# Section 9: EX-10.15 (ZIONS BANCORPORATION DEFERRED COMPENSATION PLANS MASTER TRUST)

EXHIBIT 10.15

**MASTER TRUST AGREEMENT**
**Between**

**ZIONS BANCORPORATION**
**And**
**FIDELITY MANAGEMENT TRUST COMPANY**

**ZIONS BANCORPORATION DEFERRED COMPENSATION PLANS MASTER TRUST**
**Dated as of September 1, 2006**
**TABLE OF CONTENTS**

**Section 1.** **Definitions** **2**

**Section 2.** **Trust** **6**
(a) Establishment 6
(b) Grantor Trust 7
(c) Trust Assets 7
(d) Non-Assignment 7

**Section 3.** **Payments to Sponsor** **7**

**Section 4.** **Disbursements** **7**
(a) Directions from Administrator 7
(b) Limitations 8

**Section 5.** **Investment of Trust** **8**
(a) Selection of Investment Options 8
(b) Available Investment Options 8
(c) Investment Directions 8
(d) Unfunded Status of Plan 8
(e) Mutual Funds 9
(i) Execution of Purchases and Sales 9
(ii) Voting 9
(f) Zions Common Stock in the Zion Bancorporation Restated Deferred Compensation Plan 9
(i) Acquisition Limit 10
(ii) Duty 10

(iii) Purchases and Sales of Zions Common Stock 10
(iv) Execution of Purchases and Sales of Units 11
(v) Securities Law Reports 11
(vi) Voting and Tender Offers 11
(vii) General 12
(viii) Conversion 12
(g) Zions Preferred Stock in the Zion Bancorporation Restated Deferred Compensation Plan 12
(i) Acquisition Limit 12
(ii) Duty 12
(iii) Purchases and Sales of Zions Preferred Stock 13
(iv) Execution of Purchases and Sales of Units 14
(v) Securities Law Reports 14
(vi) Voting and Tender Offers 14
(vii) General 15
(viii) Conversion 15
(h) Zions Common Stock in the Zions Bancorporation Restated Deferred Compensation Plan for Directors and the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan 15
(i) Acquisition Limit 15
(ii) Purchases and Sales of Zions Common Stock for Batch Activity 15
(iii) Purchases and Sales of Zions Common Stock for Participant-Initiated Exchanges (“Real Time” Trading) 16
(iv) Use of an Affiliated Broker 17
(v) Securities Law Reports 17
(vi) Voting and Tender Offers 17
(vii) General 17
(viii) Conversion 17
(ix) Nasdaq Subscriber Agreement 18
(i) Trustee Powers 18

| | | |
|---|---|---|
| **Section 6.** | **Recordkeeping and Administrative Services to Be Performed** | **19** |
| (a) | General | 19 |
| (b) | Accounts | 19 |
| (c) | Inspection and Audit | 19 |
| (d) | Notice of Plan Amendment | 19 |
| (e) | Returns, Reports and Information | 19 |
| **Section 7.** | **Compensation and Expenses** | **20** |
| **Section 8.** | **Directions and Indemnification** | **20** |
| (a) | Identity of the Sponsor and the Administrator | 20 |
| (b) | Directions from the Sponsor and the Administrator | 20 |
| (c) | Directions from Participants | 20 |
| (d) | Indemnification | 20 |
| (e) | Survival | 21 |
| **Section 9.** | **Resignation or Removal of Trustee** | **21** |
| (a) | Resignation and Removal | 21 |

| | | |
|---|---|---|
| (b) | Termination | 21 |
| (c) | Notice Period | 21 |
| (d) | Transition Assistance | 21 |
| (e) | Failure to Appoint Successor | 22 |
| **Section 10.** | **Successor Trustee** | **22** |
| (a) | Appointment | 22 |
| (b) | Acceptance | 22 |
| (c) | Corporate Action | 22 |
| **Section 11.** | **Resignation, Removal, and Termination Notices** | **22** |
| **Section 12.** | **Duration** | **22** |
| **Section 13.** | **Insolvency of Sponsor** | **23** |
| **Section 14.** | **Amendment or Modification** | **23** |
| **Section 15.** | **Electronic Services** | **23** |
| **Section 16.** | **Assignment** | **25** |
| **Section 17.** | **Force Majeure** | **25** |
| **Section 18.** | **Confidentiality** | **25** |
| **Section 19.** | **General** | **25** |
| (a) | Performance by Trustee, its Agents or Affiliates | 25 |
| (b) | Entire Agreement | 26 |
| (c) | Waiver | 26 |
| (d) | Successors and Assigns | 26 |
| (e) | Partial Invalidity | 26 |
| (f) | Section Headings | 26 |
| (g) | Communications | 26 |
| (h) | Survival | 26 |
| (i) | Merger | 27 |
| **Section 20.** | **Use of Data** | **27** |
| **Section 21.** | **Governing Law** | **27** |
| (a) | Massachusetts Law Controls | 27 |

(b) Trust Agreement Controls 27


**SCHEDULES** **29**

| | | |
|---|---|---|
| Schedule "A" | Recordkeeping and Administrative Services . | 29 |
| Schedule "B" | Fee Schedule | 32 |
| Schedule "C" | Investment Options | 33 |
| Schedule "D" | Operational Guidelines for Non-Fidelity Mutual Funds | 35 |
| Schedule "E" | Availabel Liquidity Procedures for Unitized Stock Funds | 37 |



**TRUST AGREEMENT**, dated as of the first day of September, 2006, between **ZIONS BANCORPORATION,** a Utah corporation, having an office at One Main Street, Salt Lake City, Utah 84111 (the "Sponsor"), and **FIDELITY MANAGEMENT TRUST COMPANY**, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Trustee").

**WITNESSETH:**

**WHEREAS,** the Sponsor is the sponsor of the Zions Bancorporation Restated Deferred Compensation Plan, the Zions Bancorporation Restated Deferred Compensation Plan for Directors, and the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan (collectively and individually, the "Plan"); and

**WHEREAS,** the Sponsor wishes to establish an irrevocable trust and to contribute to the Trust assets that shall be held therein, subject to the claims of Sponsor's creditors in the event of Sponsor's Insolvency, as herein defined, until paid to Participants and their beneficiaries in such manner and at such times as specified in the Plan; and

**WHEREAS,** it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of1974("ERISA");and

**WHEREAS,** it is the intention of the Sponsor to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan; and

**WHEREAS,** the Trustee is willing to hold and invest the aforesaid plan assets in trust among several investment options selected by the Sponsor; and

**WHEREAS,** the Sponsor also wishes to have the Trustee perform certain ministerial recordkeeping and administrative functions under the Plan; and

**WHEREAS,** the Trustee is willing to perform recordkeeping and administrative services for the Plan if the services are ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Trustee by the Administrator (as defined herein).

**NOW, THEREFORE,** in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor and the Trustee agree as follows:

**Section 1. <u>Definitions.</u>**

The following terms as used in this Trust Agreement have the meaning indicated unless the context clearly requires otherwise:

**(a) "Administrator"**

"Administrator" shall mean the Sponsor.

**(b) "Agreement"**

"Agreement" shall mean this Trust Agreement, and the Schedules and/or Exhibits attached hereto, as the same may be amended and in effect from time to time.

**(c) "Available Liquidity"**

"Available Liquidity" shall mean the amount of short-term investments held in the Stock Fund decreased by any outgoing cash for expenses then due including payables for loan principals and obligations for pending stock purchases, and increased by incoming cash (such as contributions, exchanges in) and to the extent credit is available and allocable to the Stock Fund, receivables for pending stock sales.

**(d) "Business Day"**

"Business Day" shall mean each day the NYSE is open. The closing of a Business Day shall mean the NYSE's normal closing time of 4:00 p.m.(ET), however, in the event the NYSE closes before such time or alters its closing time, all references to the NYSE closing time shall mean the actual or altered closing time of the NYSE.

**(e) "Closing Price"**

"Closing Price" shall mean either (1) the closing price of the stock on the principal national securities exchange on which the stock is traded or, in the case of stocks traded over the counter, the last sale price of the day; or if (1) is unavailable, (2) the latest available price as reported by the principal national securities exchange on which the stock is traded or, for an over the counter stock, the last bid price prior to the close of the New York Stock Exchange (generally 4.00 p.m. Eastern time).

**(f) "Code"**

"Code" shall mean the Internal Revenue Code of 1986, as it has been or may be amended from time to time.

**(g) "Confidential Information"**

"Confidential Information" shall mean (individually and collectively) proprietary information of the parties to this Trust Agreement, including but not limited to, their inventions, know how, trade secrets, business affairs, prospect lists, product designs, product plans, business strategies, finances, fee structures, etc.

**(h) "EDT"**

"EDT" shall mean electronic data transfer.

**(i) "Electronic Services"**

"Electronic Services" shall mean communication and services made available via electronic media.

**(j) "ERISA"**

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time.

**(k) "External Account Information"**

"External Account Information" shall mean account information, including retirement savings account information, from third party websites or other websites maintained by Fidelity or its affiliates.

**(I) "Fidelity Mutual Fund"**

"Fidelity Mutual Fund" shall mean any investment company advised by Fidelity Management & Research Company or any of its affiliates.

**(m) "FIFO"**

"FIFO" shall mean First In First Out.

**(n) "FIIOC"**

"FIIOC" shall mean Fidelity Investments Institutional Operations Company, Inc.

**(o) "ln Good Order"**

"In Good Order" shall mean in a state or condition acceptable to the Trustee in its sole discretion, which the Trustee determines is reasonably necessary for accurate execution of the intended transaction.

**(p) "lnsolvency"**

"Insolvency" shall mean (i) Sponsor is unable to pay its debts as they become due, or (ii) Sponsor is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

**(q) "Insolvent"**

"Insolvent" shall mean (i) Sponsor is unable to pay its debts as they become due, or (ii) Sponsor is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

**(r) "Losses"**

"Losses" shall mean any and all loss, damage, penalty, liability, cost and expense, including without limitation, reasonable attorney's fees and disbursements.

**(s) "Mutual Fund"**

"Mutual Fund" shall refer both to Fidelity Mutual Funds and Non-Fidelity Mutual Funds.

**(t) "NAV"**

"NAV" shall mean Net Asset Value.

**(u) "NFSLLC"**

"NFSLLC" shall mean National Financial Services LLC.

**(v) "Non-Fidelity Mutual Fund"**

"Non-Fidelity Mutual Fund" shall mean certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

**(w) "NYSE"**

"NYSE" shall mean the New York Stock Exchange.

**(x) "Participant"**

"Participant" shall mean, with respect to the Plan, any employee (or former employee) with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the designated beneficiary(ies) with respect to the account of any deceased employee (or deceased former employee) until such account has been fully distributed and/or forfeited.

**(y) "Participant Recordkeeping Reconciliation Period"**

"Participant Recordkeeping Reconciliation Period" shall mean the period beginning on the date of the initial transfer of assets to the Trust and ending on the date of the completion of the reconciliation of Participant records.

**(z) "PIN"**

"PIN" shall mean personal identification number.

**(aa) "Plan"**

"Plan" shall mean, collectively and individually, the Zions Bancorporation Restated Deferred Compensation Plan, the Zions Bancorporation Restated Deferred Compensation Plan for Directors, and the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan.

**(bb) "Plan Administration Manual"**

"Plan Administration Manual" shall mean the document which sets forth the administrative and recordkeeping duties and procedures to be followed by the Trustee in administering the Plan, as such document may be amended and in effect from time to time.

**(cc) "Plan Sponsor Webstation"**

"Plan Sponsor Webstation" shall mean the graphical windows based application that provides current Plan and Participant information including indicative data, account balances, activity and history.

**(dd) "Reporting Date"**

"Reporting Date" shall mean the last day of each fiscal quarter of the Plan and, if not on the last day of fiscal quarter, the date as of which the Trustee resigns or is removed pursuant to this Agreement or the date as of which this Agreement terminates pursuant to Section 9 hereof.

**(ee) "SEC"**

"SEC" shall mean the Securities and Exchange Commission.

**(ff) "Specified Hierarchy"**

"Specified Hierarchy" shall mean the Stock Fund processing order set forth in Schedule "E", that gives precedence to distributions, and withdrawals, and otherwise on a FIFO basis.

**(gg) "Sponsor"**

"Sponsor" shall mean Zions Bancorporation, a Utah corporation, or any successor to all or substantially all of its businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.

**(hh) "Trust"**

"Trust" shall mean the Zions Bancorporation Deferred Compensation Plans Master Trust, being the trust established by the Sponsor and the Trustee pursuant to the provisions of this Agreement.

**(ii) "Trustee"**

"Trustee" shall mean Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10. The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

**(jj) "VRS"**

"VRS" shall mean Voice Response System.

**(kk) "Zions Common Stock"**

"Zions Common Stock" shall mean the common stock of the Sponsor, or such other publicly-traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates.

**(ll) "Zions Preferred Stock"**

"Zions Preferred Stock" shall mean the preferred stock of the Sponsor, or such other publicly-traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates.

**(mm) "Zions Common Stock Fund"**

"Zions Common Stock Fund" shall mean the investment option consisting primarily of Zions Common Stock and cash or short-term liquid investments.

**(nn) "Zions Preferred Stock Fund"**

"Zions Preferred Stock Fund" shall mean the investment option consisting primarily of Zions Preferred Stock and cash or short-term liquid investments.

**Section 2. Trust.**

(a) Establishment.

The Sponsor hereby establishes the Trust with the Trustee. The Trust shall consist of money or other property acceptable to the Trustee in its sole discretion, as contributed by the Sponsor or transferred from a previous trustee under the Plan, such additional sums

of money or other property as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein, without distinction between principal and income. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement.

(b) Grantor Trust.

The Trust is intended to be a grantor trust, of which the Sponsor is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, as amended, and shall be construed accordingly.

(c) Trust Assets.

The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of the Sponsor and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants and their beneficiaries shall have no claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plan and this Agreement shall be mere unsecured contractual rights of Participants and their beneficiaries against the Sponsor. Any assets held by the Trust will be subject to the claims of the Sponsor's general creditors under federal and state law in the event of Sponsor's Insolvency.

(d) Non-Assignment.

Benefit payments to Participants and their beneficiaries funded under this Trust may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered, or subjected to attachment, garnishment, levy, execution, or other legal or equitable process.

**Section 3. Payments to Sponsor.**

Except as provided under this Agreement, the Sponsor shall have no right to retain or divert to others any of the Trust assets before all payment of benefits have been made to Participants pursuant to the terms of the Plan.

**Section 4. Disbursements.**

(a) Directions from Administrator.

The Trustee shall disburse monies for benefit payments in the amounts that the Administrator directs from time to time in writing to: (i) employee Participants and their beneficiaries; and (ii) non-employee directors and their beneficiaries. The Trustee shall: (i) not disburse monies to any non-employees or other persons not described in this subsection (a), including but not limited to non-resident alien participants, who are required to receive any form other than IRS Form W-2 or IRS Form 1099; and (ii) not be responsible for ascertaining whether the Administrator's direction complies with the terms of the Plan or of any applicable law. The Trustee shall be responsible for Federal or State income tax reporting or withholding with respect to such Plan benefits and shall provide, as appropriate, an IRS Form W-2 (Wage and Tax Statement), 1099-R, 1099-Misc or 1042-S. However, the Sponsor shall be required to properly identify any Participants and update appropriate Participant indicative data fields relating to the special tax status of any Participant who receives any of the above-referenced forms other than an IRS Form W-2. The Trustee shall not be responsible for FICA (Social Security and Medicare), or any Federal or State unemployment or local tax with respect to Plan distributions.

(b) Limitations.

The Trustee shall not be required to make any disbursement in excess of the net realizable value of the assets of the Trust at the time of the disbursement. The Trustee shall not be required to make any disbursement in cash or shares unless the Administrator has provided a written direction as to the assets to be converted to cash or shares for the purpose of making the disbursement.

**Section 5. Investment of Trust.**

(a) Selection of Investment Options.

The Trustee shall have no responsibility for the selection of investment options under the Trust and shall not render investment advice to any person in connection with the selection of such options.

(b) Available Investment Options.

The Sponsor shall direct the Trustee as to what investment options the Trust shall be invested in (i) during the Participant Recordkeeping Reconciliation Period, and (ii) following the Participant Recordkeeping Reconciliation Period, subject to the following limitations. The Sponsor may determine to offer as investment options only (i) Mutual Funds, (ii) Zions Common Stock; and (iii) Zions Preferred Stock; provided, however, that the Trustee shall not be considered a fiduciary with investment discretion. The Sponsor may add or remove investment options with the consent of the Trustee to reflect administrative concerns, including but not limited to platform incapability, and upon mutual amendment of this Agreement and the Schedules thereto, to reflect such additions.

(c) Investment Directions.

The Sponsor shall direct the Trustee as to how to invest the assets held in the Trust. In order to provide for an accumulation of assets comparable to the contractual liabilities accruing under the Plan, the Sponsor may direct the Trustee in writing to invest the assets held in the Trust to correspond to the hypothetical investments made for Participants in accordance with their direction under the Plan. In such cases, Participants may provide directions with respect to their hypothetical investments under the Plan by use of the system maintained for such purposes by the Trustee or its agents, as may be agreed upon from time to time by the Sponsor and the Trustee, and shall be processed in accordance with the fund exchange provisions set forth in the Plan Administration Manual. The Trustee shall not be liable for any loss or expense that arises from a Participant's exercise or non-exercise of rights under this Section 5(c) over the assets in the Participant's hypothetical accounts. In the event that the Trustee fails to receive a proper direction, the assets in question

shall be invested in the investment option set forth for such purpose on Schedule “C” until the Trustee receives a proper direction.

(d) Unfunded Status of Plan

The Sponsor’s designation of available investment options, the maintenance of hypothetical accounts for each Participant, the crediting of investments gains (or losses) to such accounts, and the exercise by Participants of any powers relating to investments under this Agreement are solely for the purpose of providing a mechanism for measuring the obligation of the Sponsor to any particular Participant under the applicable Plan. As provided in this Agreement, no Participant will have any preferential claim to or beneficial ownership interest in any asset or investment held in the Trust, and the rights of any Participant under the applicable Plan and this Agreement are solely those of an unsecured general creditor of the Sponsor with respect to the benefits of the Participant under the Plan.



8(e) Mutual Funds.

On the effective date of this Agreement, in lieu of receiving a printed copy of the prospectus for each Fidelity Mutual Fund selected by the Sponsor as a Plan investment option or short-term investment fund, the Sponsor hereby consents to receiving such documents electronically. The Sponsor shall access each prospectus on the internet after receiving notice from the Trustee that a current version is available online at a website maintained by the Trustee or its affiliate. Trustee represents that on the effective date of this Agreement, a current version of each such prospectus is available at https://www.fidelity.com or such successor website as Trustee may notify the Sponsor of in writing from time to time. The Sponsor represents that it has accessed/will access each such prospectus as of the effective date of this Agreement at https://www.fidelity.com or such successor website as Trustee may notify the Sponsor of in writing from time to time. Transactions involving Non-Fidelity Mutual Funds shall be executed in accordance with the operational guidelines set forth in Schedule “D” attached hereto.

Trust investments in Mutual Funds shall be subject to the following limitations:

(i) Execution of Purchases and Sales.

Purchases and sales of Mutual Funds (other than for exchanges) shall be made on the date on which the Trustee receives from the Sponsor In Good Order all information and documentation necessary to accurately effect such transactions and (if applicable) wire transfer of funds.

Exchanges of Mutual Funds shall be processed in accordance with the fund exchange provisions set forth in the Plan Administration Manual.

(ii) Voting.

At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to the Sponsor, together with a voting direction form for return to the Trustee or its designee. The Trustee shall vote the shares held in the Trust in the manner as directed by the Sponsor. The Trustee shall not vote shares for which it has received no corresponding directions from the Sponsor. The Sponsor shall also have the right to direct the Trustee as to the manner in which all shareholder rights, other than the right to vote, shall be exercised. The Trustee shall have no further duty to solicit directions from the Sponsor.

(f) Zions Common Stock in the Zion Bancorporation Restated Deferred Compensation Plan.

Trust investments in Zions Common Stock shall be made via the Zions Common Stock Fund. Investments in the Zions Common Stock Fund shall consist primarily of shares of Zions Common Stock. The Zions Common Stock Fund shall also include cash or short-term liquid investments, in accordance with this paragraph, in amounts designed to satisfy daily Participant exchange or withdrawal requests. Such holdings will include Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund as agreed to in writing by the Sponsor and Trustee. The Sponsor shall, after consultation with the Trustee, establish and communicate to the Trustee in writing a target percentage for such short-term liquid investments. Subject to its ability to execute open-market trades in Zions Common Stock or to otherwise trade with the Sponsor, the Trustee shall be responsible for ensuring that the short-term investments held in the Zions Common Stock Fund falls within the agreed upon range over time. Each Participant's hypothetical interest in the Zions Common Stock Fund under the Plan shall be measured in units of participation, rather than shares of Zions Common Stock. Such units shall represent a hypothetical proportionate interest in all of the assets of the Zions Common Stock Fund,



which includes shares of Zions Common Stock, short-term investments and at times, receivables and payables (such as receivables and payables arising out of unsettled stock trades). The Trustee shall determine a NAV for each unit outstanding of the Zions Common Stock Fund. Valuation of the Zions Common Stock Fund shall be based upon: (a) the Closing Price, or; (b) the price determined in good faith by the Trustee. The NAV shall be adjusted for gains or losses realized on sales of Zions Common Stock, appreciation or depreciation in the value of those shares owned, dividends paid on Zions Common Stock to the extent not used to purchase additional units of the Zions Common Stock Fund for affected participants, and interest on the short-term investments held by the Zions Common Stock Fund, payables and receivables for pending stock trades, receivables for dividends not yet distributed, and payables for other expenses of the Zions Common Stock Fund, including principal obligations, if any, and expenses that, pursuant to Sponsor direction, the Trustee accrues or pays from the Zions Common Stock Fund.

(i) Acquisition Limit.

Pursuant to the Plan, the Trust may be invested in Zions Common Stock to the extent necessary to comply with investment directions under this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

(ii) Duty.

The Sponsor shall continually monitor the suitability of acquiring and holding Zions Common Stock. The Trustee shall not be liable for any loss or expense which arises from the directions of the Sponsor with respect to the acquisition and holding of Zions Common Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by any applicable law or would be contrary to the terms of this Agreement.

(iii) Purchases and Sales of Zions Common Stock.

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Zions Common Stock.

(A) Open Market Purchases and Sales.

Purchase and sales of Zions Common Stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended by the Trustee from time to time, as necessary to honor exchange and withdrawal activity and to maintain the target cash percentage for the Zions Common Stock Fund, provided that:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the Zions Common Stock is traded, or any other judicial or regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day,

then, under the circumstances set forth in either (1) or (2), the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible.

(B) Purchases and Sales from or to Sponsor.

If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell Zions Common Stock from or to the Sponsor if the purchase or sale is for adequate consideration and no commission is charged. If Sponsor contributions (employer) or contributions made by the Sponsor to hypothetical Participants' accounts under the Plan are to be invested in Zions Common Stock, the Sponsor may transfer Zions Common Stock in lieu of cash to the Trust.

(C) Use of Brokers.

The Sponsor hereby directs the Trustee to use brokers unaffiliated with the Trustee as the Trustee deems appropriate to provide brokerage services in connection with any purchase or sale of Zions Common Stock to correspond with directions provided by Participants with respect to the Participant's proportional hypothetical investment in the Zions Common Stock Fund under the Plan. Commissions on the purchase and sale of Zions Common Stock shall be charged back to the Zions Common Stock Fund.

(iv) Execution of Purchases and Sales of Units

Unless otherwise directed in writing pursuant to directions that the Trustee can administratively implement, purchases and sales of units shall be made as follows:

(A) Subject to subparagraphs (B) and (C) below, purchases and sales of units in the Zions Common Stock Fund (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation, and wire transfers of funds (if applicable), necessary to accurately effect such transactions. Exchange transaction requests received before the close of the market (generally 4:00 p.m. (ET)) on any Business Day will receive that day's trade date if Available Liquidity is sufficient to honor the trade after Specified Hierarchy rules are applied. Requests received after the close of the market on any Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis, subject to Available Liquidity for such day after application of Specified Hierarchy rules.

(B) Aggregate sales of units in the Zions Common Stock Fund on any day shall be limited to the Zions Common Stock Fund's Available Liquidity for that day. In the event that the requested sales exceed the Available Liquidity, then transactions shall be processed giving precedence to distributions and withdrawals, and otherwise on a FIFO basis, as provided in Schedule "E" (the "Specified Hierarchy"). So long as the Zions Common Stock Fund is open for such transactions, sales of units that are requested but not processed on a given day due to insufficient Available Liquidity shall be suspended until Available Liquidity is sufficient to honor such transactions in accordance with the Specified Hierarchy.

(C) The Trustee shall close the Zions Common Stock Fund to sales or purchases of units, as applicable, on any date on which trading in the Zions Common Stock has been suspended or substantial purchase or sale orders are outstanding and cannot be executed.

(v) Securities Law Reports.

The Sponsor shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Zions Common Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Zions Common Stock pending the filing of any report. The Trustee shall provide to the Sponsor such information on the Trust's
ownership of Zions Common Stock as the Sponsor may reasonably request in order to comply with Federal or state securities laws.

(vi) Voting and Tender Offers.

Notwithstanding any other provision of this Agreement, the provisions of this Section shall govern the voting and tendering of Sponsor Stock held under the Trust. The Sponsor shall provide direction to the Trustee with respect to any proxy voting, any tender or

exchange offer, or any other similar shareholder right, and the Trustee shall vote, tender or exchange shares of Sponsor Stock in accordance with timely, written direction from the Sponsor. Unless otherwise required by applicable law, the Trustee shall not take any action with respect to a vote, tender, exchange or similar shareholder right in the absence of instruction from the Sponsor. For these purposes, a timely direction is one that is received at a time that reasonably allows the Trustee to exercise shareholder rights, through a custodian, if applicable.

(vii) General.

With respect to all shareholder rights, the Trustee shall follow the directions of the Sponsor in accordance with the procedures described in (vi) above.

(viii) Conversion.

All provisions in this Section 5(f) shall also apply to any securities received as a result of a conversion of Zions Common Stock.

(g) Zions Preferred Stock in the Zion Bancorporation Restated Deferred Compensation Plan.

Trust investments in Zions Preferred Stock shall be made via the Zions Preferred Stock Fund. Investments in the Zions Preferred Stock Fund shall consist primarily of shares of Zions Preferred Stock. The Zions Preferred Stock Fund shall also include cash or short-term liquid investments, in accordance with this paragraph, in amounts designed to satisfy daily Participant exchange or withdrawal requests. Such holdings will include Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund as agreed to in writing by the Sponsor and Trustee. The Sponsor shall, after consultation with the Trustee, establish and communicate to the Trustee in writing a target percentage for such short-term liquid investments. Subject to its ability to execute open-market trades in Zions Preferred Stock or to otherwise trade with the Sponsor, the Trustee shall be responsible for ensuring that the short-term investments held in the Zions Preferred Stock Fund falls within the agreed upon range over time. Each Participant's hypothetical interest in the Zions Preferred Stock Fund under the Plan shall be measured in units of participation, rather than shares of Zions Preferred Stock. Such units shall represent a hypothetical proportionate interest in all of the assets of the Zions Preferred Stock Fund, which includes shares of Zions Preferred Stock, short-term investments and at times, receivables and payables (such as receivables and payables arising out of unsettled stock trades). The Trustee shall determine a NAV for each unit outstanding of the Zions Preferred Stock Fund. Valuation of the Zions Preferred Stock Fund shall be based upon: (a) the Closing Price, or; (b) the price determined in good faith by the Trustee. The NAV shall be adjusted for gains or losses realized on sales of Zions Preferred Stock, appreciation or depreciation in the value of those shares owned, dividends paid on Zions Preferred Stock to the extent not used to purchase additional units of the Zions Preferred Stock Fund for affected participants, and interest on the short-term investments held by the Zions Preferred Stock Fund, payables and receivables for pending stock trades, receivables for dividends not yet distributed, and payables for other expenses of the Zions Preferred Stock Fund, including principal obligations, if any, and expenses that, pursuant to Sponsor direction, the Trustee accrues or pays from the Zions Preferred Stock Fund.

(i) Acquisition Limit.

Pursuant to the Plan, the Trust may be invested in Zions Preferred Stock to the extent necessary to comply with investment directions under this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

(ii) Duty.

The Sponsor shall continually monitor the suitability of acquiring and holding Zions Preferred Stock. The Trustee shall not be

liable for any loss or expense which arises from the directions of the Sponsor with respect to the acquisition and holding of Zions Preferred Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by any applicable law or would be contrary to the terms of this Agreement.

(iii) Purchases and Sales of Zions Preferred Stock.

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Zions Preferred Stock.

(A) Open Market Purchases and Sales.

Purchase and sales of Zions Preferred Stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended by the Trustee from time to time, as necessary to honor exchange and withdrawal activity and to maintain the target cash percentage for the Zions Preferred Stock Fund, provided that:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the Zions Preferred Stock is traded, or any other judicial or regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day,

then, under the circumstances set forth in either (1) or (2), the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible.

(B) Purchases and Sales from or to Sponsor.

If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell Zions Preferred Stock from or to the Sponsor if the purchase or sale is for adequate consideration and no commission is

charged. If Sponsor contributions (employer) or contributions made by the Sponsor to hypothetical Participants' accounts under the Plan are to be invested in Zions Preferred Stock, the Sponsor may transfer Zions Preferred Stock in lieu of cash to the Trust.

(C) Use of an Affiliated Broker.

The Sponsor hereby directs the Trustee to use Fidelity Capital Markets, a division of NFSLLC, to provide brokerage services in connection with any purchase or sale of Zions Preferred Stock on the open market, except in circumstances where the Trustee has determined, in accordance with its standard trading guidelines or pursuant to Sponsor direction, to seek expedited settlement of the trades. Fidelity Capital Markets shall execute such directions directly or through its affiliates. The provision of brokerage services shall be subject to the following:

(1) The Trustee will provide the Sponsor with periodic reports which summarize all securities transaction-related charges incurred with respect to trades of Zions Preferred Stock for such Plan.

(2) Any successor organization of Fidelity Capital Markets, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision.

(3) The Trustee and Fidelity Capital Markets shall continue to rely on this direction provision until notified to the contrary. The Sponsor reserves the right to terminate this direction upon written notice to Fidelity Capital Markets (or its successor) and the Trustee, in accordance with this Agreement.

(iv) Execution of Purchases and Sales of Units

Unless otherwise directed in writing pursuant to directions that the Trustee can administratively implement, purchases and sales of units shall be made as follows:

(A) Subject to subparagraphs (B) and (C) below, purchases and sales of units in the Zions Preferred Stock Fund (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation, and wire transfers of funds (if applicable), necessary to accurately effect such transactions. Exchange transaction requests received before the close of the market (generally 4:00 p.m. (ET)) on any Business Day will receive that day's trade date if Available Liquidity is sufficient to honor the trade after Specified Hierarchy rules are applied. Requests received after the close of the market on any Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis, subject to Available Liquidity for such day after application of Specified Hierarchy rules.

(B) Aggregate sales of units in the Zions Preferred Stock Fund on any day shall be limited to the Zions Preferred Stock Fund's Available Liquidity for that day. In the event that the requested sales exceed the Available Liquidity, then transactions shall be processed giving precedence to distributions and withdrawals, and otherwise on a FIFO basis, as provided in Schedule "E" (the "Specified Hierarchy"). So long as the Zions Preferred Stock Fund is open for such transactions, sales of units that are requested but not processed on a given day due to insufficient Available Liquidity shall be suspended until Available Liquidity is sufficient to honor such transactions in accordance with the Specified Hierarchy.

(C) The Trustee shall close the Zions Preferred Stock Fund to sales or purchases of units, as applicable, on any date on which trading in the Zions Preferred Stock has been suspended or substantial purchase or sale orders are outstanding and cannot be executed.

(v) Securities Law Reports.

The Sponsor shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Zions Preferred Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Zions Preferred Stock pending the filing of any report. The Trustee shall provide to the Sponsor such information on the Trust's ownership of Zions Preferred Stock as the Sponsor may reasonably request in order to comply with Federal or state securities laws.

(vi) Voting and Tender Offers.

Notwithstanding any other provision of this Agreement, the provisions of this Section shall govern the voting and tendering of Sponsor Stock held under the Trust. The Sponsor shall provide direction to the Trustee with respect to any proxy voting, any tender or exchange offer, or any other similar shareholder right, and the Trustee shall vote, tender or exchange shares of Sponsor Stock in accordance with timely, written direction from the Sponsor. Unless otherwise required by applicable law, the Trustee shall not take any action with respect to a vote, tender, exchange or similar shareholder right in the absence of instruction from the Sponsor. For these purposes, a timely direction is one that is received at a time that reasonably allows the Trustee to exercise shareholder rights, through a custodian, if applicable.

(vii) General.

With respect to all shareholder rights, the Trustee shall follow the directions of the Sponsor in accordance with the procedures described in (vi) above.

(viii) Conversion.

All provisions in this Section 5(g) shall also apply to any securities received as a result of a conversion of Zions Preferred Stock.

(h) Zions Common Stock in the Zions Bancorporation Restated Deferred Compensation Plan for Directors and the Restated Amegy Bancorporation. Inc. Non-Employees Directors Deferred Fee Plan.

Trust investments in Zions Common Stock shall be made via the Zions Common Stock Fund. For the Zions Bancorporation Restated Deferred Compensation Plan for Directors only, dividends received on shares of Zions Common Stock shall be reinvested in additional shares of Zions Common Stock and allocated to Participants' accounts.

(i) Acquisition Limit.

Pursuant to the Plan, the Trust may be invested in Zions Common Stock to the extent necessary to comply with investment directions under this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

(ii) Purchases and Sales of Zions Common Stock for Batch Activity.

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Zions Common Stock for
contributions, loan repayments, distributions, loans, withdrawals, or any other purchase or sale of Zions Common Stock related to a transaction that the Sponsor has directed the Trustee in writing to implement on a batch basis ("batch activity").

(A) Open Market Purchases and Sales. Purchases and sales of Zions Common Stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended from time to time, as necessary to honor batch activity. Such general rules shall not apply in the following circumstances:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the Zions Common Stock is traded, or any other regulatory or judicial body from purchasing or selling any or all of the shares required to be purchased or sold on such day.

In the event of the occurrence of a circumstance described in (1) or (2) above, the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible, and shall determine the price of such purchases or sales to be the average purchase or sales price of all such shares purchased or sold, respectively. The Trustee may follow written directions from the Sponsor to deviate from the above purchase and sale procedures.

(iii) Purchases and Sales of Zions Common Stock for Participant-Initiated Exchanges ("Real Time" Trading)

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Zions Common Stock for Participant-initiated exchanges.

(A) Purchases and Sales of Zions Common Stock. Purchases and sales of Zions Common Stock associated with individual Participant-initiated exchanges into or out of the Zions Common Stock Fund shall be made on the open market pursuant to order types selected by the Participant in accordance with the Trustee's procedures for "Real Time Trading." The Sponsor may instruct the Trustee to limit the order types available to Participants.

(1) Automated Order Entry. Zions Common Stock trades associated with Participant-initiated exchanges shall be sent to market as soon as administratively feasible during regular trading hours via an electronic order entry system, unless such trade is treated as a block trade. Such electronic order entry system shall be deemed an Electronic Service for purposes of Section 15 of this Agreement.

(2) Limitations on Trades: Cancellation of Exchange Requests. Trades rejected under rules of the applicable securities exchange will not be executed. The Trustee will not submit orders (or will cancel orders) for stock trades that violate the Trustee's procedures for "Real Time Trading". The Trustee shall not submit any trade order associated with a Participant-initiated exchange at any time when the Zions Common Stock Fund has been closed to such activity. Trades associated with Participant-initiated exchanges shall not be transacted at any time when the regular market is closed, or when the SEC, the NYSE or principal exchange on which the Zions Common Stock is traded, or any other regulatory or judicial body has prohibited purchases or sales of any or all of the shares requested to be traded pursuant to the Participant-initiated

exchange. An exchange requested by the Participant shall be rejected or cancelled, as the case may be, to the extent any accompanying trade is not submitted, not executed or cancelled.

(B) Reserve Requirements for Exchanges Into Zions Common Stock Fund and Corrective Sales. The Participant's ability to initiate exchanges into the Zions Common Stock Fund shall be subject to standard reserve requirements applicable to the investment options used to fund the exchange, as established by the Trustee from time to time (or such higher reserve requirements as may be established by the Sponsor in written direction to the Trustee). Requests to exchange into the Zions Common Stock Fund that exceed such reserves, and accompanying trade orders, may be rejected or cancelled. In the event that a buy trade associated with a request to exchange into Zions Common Stock is executed, and there are insufficient assets to fund the trade in the designated account which has been created to reflect such Participant's investment requests, the Trustee will liquidate investment options (including those held in other sources eligible for liquidation) in the account which has been created to reflect such Participant's investment requests, pro rata. In the event that there are sufficient assets in any other investment option within the account which has been created to reflect such Participant's investment requests, the Trustee shall initiate a corrective sale, and shall debit the costs of such corrective trade from the such account.

(C) Fractional Shares. Participants will be entitled to exchange out fractional shares in the Zions Common Stock Fund only in connection with a request to exchange out the entire balance in the account created to reflect such Participant's Zions Common Stock Fund holdings (or the entire balance in a particular source, as applicable). Fractional shares will be transacted at the price determined by the stock trade order selected by the Participant.

Fidelity Confidential

16(iv) Use of an Affiliated Broker.

For all purchases and sales of Zions Common Stock on the open market, whether Participant-initiated or otherwise, the Sponsor hereby directs the Trustee to use FBSLLC to provide brokerage services. Subject to the provisions of this agreement, FBSLLC shall execute such trades directly or through any of its affiliates. The provision of brokerage services shall be subject to the following:

(1) Any successor organization of FBSLLC, through reorganization, consolidation, merger or similar transactions, shall, upon consummation of such transaction, become the successor broker in accordance with the terms of this direction provision. FBSLLC may assign its rights and obligations under this agreement to any affiliate, provided that the assignee is bound by the terms hereof, including the provisions concerning remuneration.

(2) The Trustee and FBSLLC shall continue to rely on this direction provision until notified to the contrary. The Sponsor reserves the right to terminate this direction upon written notice to FBSLLC (or its successors or assigns) and the Trustee, in accordance with Section 11 of this Agreement.

(3) The Plan Sponsor acknowledges that FBSLLC (and its successors and assigns) may rely upon this Trust Agreement in establishing an account in the name of the Trustee for the Plan which reflects the investment choices of each Participant, and in allowing each Participant to exercise limited trading authorization over such account, to the extent of the balance in such account in the Zions Common Stock Fund.

(v) Securities Law Reports.

The Named Fiduciary shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Zions Common Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Zions Common Stock pending the filing of any report. The Trustee shall provide to the Sponsor such information on the Trust's ownership of Zions Common Stock as the Sponsor may reasonably request in order to comply with Federal or state securities laws.

(vi) Voting and Tender Offers.

Notwithstanding any other provision of this Agreement, the provisions of this Section shall govern the voting and tendering of Zions Common Stock held under the Trust. The Sponsor shall provide direction to the Trustee with respect to any proxy voting, any tender or exchange offer, or any other similar shareholder right, and the Trustee shall vote, tender or exchange shares of Zions Common Stock in accordance with timely, written direction from the Sponsor. Unless otherwise required by applicable law, the Trustee shall not take any action with respect to a vote, tender, exchange or similar shareholder right in the absence of instruction from the Sponsor. For these purposes, a timely direction is one that is received at a time that reasonably allows the Trustee to exercise shareholder rights, through a custodian, if applicable.

(vii) General.

With respect to all shareholder rights, in the case of Zions Common Stock, the Trustee shall follow the procedures set forth in subsection (A), above.

(viii) Conversion.

All provisions in this Section 5(h) shall also apply to any securities received as a result of a conversion of Zions Common Stock.

(ix) Nasdaq Subscriber Agreement.

The Sponsor represents that it has returned a properly executed "Nasdaq Subscriber Agreement" to the Trustee. The Nasdaq Subscriber Agreement is required by Nasdaq and allows Participants to receive information originating from Nasdaq on a "real-time" basis, through devices controlled by the Trustee or its affiliates.

(i) Trustee Powers.

The Trustee shall have the following powers and authority:

(i) Subject to this Section 5, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee shall be bound to see to the application of
the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.

(ii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees, or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iii) To keep that portion of the Trust in cash or cash balances as the Sponsor or Administrator may, from time to time, deem to be in the best interest of the Trust.

(iv) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(v) To the extent a unitized option is included in the Plan, to borrow funds from a bank or other financial institution not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in a timely fashion, provided that the cost of borrowing shall be allocated in a reasonable fashion to the investment fund(s) in need of liquidity. The Sponsor acknowledges that it has received the disclosure on the Trustee's line of credit program and credit allocation policy and a copy of the text of Prohibited Transaction Exemption 2002-55 prior to executing this Agreement if applicable.

(vi) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(vii) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(viii) To do all other acts, although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of the Trust.

Notwithstanding any powers granted to Trustee pursuant to this Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of Section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code. The Trustee will file an annual fiduciary return to the extent required by law.

**Section 6. Recordkeepinq and Administrative Services to Be Performed.**

(a) General.

The Trustee shall perform those recordkeeping and administrative functions described in Schedule "A" attached hereto. These recordkeeping and administrative functions shall be performed within the framework of the Administrator's written directions regarding the Plan's provisions, guidelines and interpretations.

(b) Accounts.

The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of the last day of each Reporting Date. Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with the Administrator a written account setting forth all investments, receipts, disbursements, and other transactions effected by the Trustee between the Reporting Date and the prior Reporting Date, and setting forth the value of the Trust as of the Reporting Date. The Administrator shall use all reasonable efforts to bring to the Trustee's attention, as soon as possible, any concerns or objections it may have relating to the accounts. Nothwithstanding the previous sentence, and except as otherwise required under applicable law, upon the expiration of six (6) months from the date of filing such account, the Trustee shall have no liability or further accountability to anyone with

respect to the propriety of its acts or transactions shown in such account, except with respect to such acts or transactions as to which a written objection shall have been filed with the Trustee within such six (6) month period.

(c) Inspection and Audit.

Prior to the termination of this Agreement, all records generated by the Trustee in accordance with paragraphs (a) and (b) shall be open to inspection and audit, by the Administrator or any persons designated by the Administrator, during the Trustee's regular business hours. Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's account as of the resignation, removal, or termination, and the Trustee shall provide to the Sponsor or the Plan's new recordkeeper such further records as are reasonable, at the Sponsor's expense.

(d) Notice of Plan Amendment.

The Trustee's provision of the recordkeeping and administrative services set forth in this Section shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption, and on the Administrator providing the Trustee, on a timely basis, with all the information the Trustee deems necessary for the Trustee to perform the recordkeeping and administrative services and such other information as the Trustee may reasonably request.

(e) Returns, Reports and Information.

Except as set forth in the Plan Reporting section of Schedule "A", the Administrator shall be responsible for the preparation and filing of all returns, reports, and information required of the Trust or Plan by law. The Trustee shall provide the Administrator with such information as the Administrator may reasonably request to make these filings. The Administrator shall also be responsible for making any disclosures to Participants required by law.



**Section 7. Compensation and Expenses.**

Sponsor shall pay to Trustee, within thirty (30) days of receipt of the Trustee's bill, the fees for services in accordance with Schedule "B." Fees for services are specifically outlined in Schedule "B" and are based on any assumptions identified therein. The Trustee shall maintain its fees for three (3) years; provided, however, in the event that the Plan characteristics referenced in the assumptions outlined in Schedule "B" change significantly by either falling below or exceeding current or projected levels, such fees may be subject to revision, upon mutual renegotiation. To reflect increased operating costs, Trustee may once each calendar year, but not prior to September 1, 2009, amend Schedule "B" without the Sponsor's consent upon six months prior notice to the Sponsor. All reasonable expenses of Plan administration as shown on Schedule "B" attached hereto, as amended from time to time, shall be a charge against and paid from the appropriate Participants' accounts, except to the extent such amounts are paid by the Sponsor in a timely manner.

All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, and all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, shall be a charge against and paid from the appropriate Participants' accounts.

**Section 8. Directions and Indemnification.**

(a) Identity of the Sponsor and the Administrator.

The Trustee shall be fully protected in relying on the fact that the Sponsor and the Administrator under the Plan are the individual or persons named as such above or such other individuals or persons as the Sponsor may notify the Trustee in writing.

(b) Directions from the Sponsor and the Administrator.

Whenever the Sponsor and the Administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss or expense arising from the direction if the direction is contained in a writing provided by any individual whose name has been submitted (and not withdrawn) in writing to the Trustee by the Sponsor or the Administrator unless it is clear on the direction's face that the actions to be taken under the direction would be contrary to the terms of this Agreement. The Trustee may rely without further duty of inquiry on the authority of any such individual to provide direction to the Trustee on behalf of the Sponsor.

For purposes of this Section, such Direction may also be made via EDT, facsimile or such other secure electronic means in accordance with procedures agreed to by the Sponsor and the Trustee and, in any such case the Trustee shall be fully protected in relying on such Direction as if it were a Direction made in writing by the Sponsor.

(c) Directions from Participants.

The Trustee shall not be liable for any loss which arises from any Participant's exercise or non-exercise of rights under the Plan over the assets in the Participants' hypothetical accounts.

(d) Indemnification.

The Sponsor shall indemnify the Trustee against, and hold the Trustee harmless from, any and all Losses that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all Losses arising solely from the Trustee's negligence, bad faith, or breach of this Agreement.



The Trustee shall also indemnify the Sponsor against, and hold the Sponsor harmless from, any and all Losses that may be incurred by, imposed upon, or asserted against the Sponsor by reason of any claim, regulatory proceeding, or litigation arising from Trustee's negligence, bad faith, or breach of this Agreement.

The Trustee shall also indemnify the Sponsor against and hold the Sponsor harmless from any and all such Losses that may be incurred by, imposed upon, or asserted against the Sponsor solely as a result of: i) any defects in the investment methodology embodied in the target asset allocation or model portfolio provided through Portfolio Review, except to the extent that any such Losses arise from information provided by the Participant, the Sponsor or third parties; or ii) any prohibited transactions resulting from the provision of Portfolio Review by the Trustee.

For purpose of this Section 8(d), any reference to the Sponsor and the Trustee shall be deemed to include their respective directors, employees, officers, agents, attorneys, affiliates, subsidiaries, subcontractors, carriers and vendors.

(e) Survival.

The provisions of this Section shall survive the termination of this Agreement.

**Section 9. Resignation or Removal of Trustee.**

(a) Resignation and Removal.

The Trustee may resign at any time in accordance with the notice provisions set forth below. The Sponsor may remove the Trustee at any time in accordance with the notice provisions set forth below.

(b) Termination.

This Agreement may be terminated in full, or with respect to only a portion of the Plan (i.e. a "partial deconversion") at any time by the Sponsor upon prior written notice to the Trustee in accordance with the notice provisions set forth below.

(c) Notice Period.
In the event either party desires to terminate this Agreement or any Services hereunder, the party shall provide at least one-hundred and eighty days (180) prior written notice of the termination date to the other party; provided, however, that the receiving party may agree, in writing, to a shorter notice period.

(d) Transition Assistance.
In the event of termination of this Agreement, if requested by Sponsor, the Trustee shall assist Sponsor in developing a plan for the orderly transition of the Plan data, cash and assets then constituting the Trust and services provided by the Trustee hereunder to Sponsor or its designee. The Trustee shall provide such assistance for a period not extending beyond sixty (60) days from the termination date of this Agreement. The Trustee shall provide to Sponsor, or to any person designated by Sponsor, at a mutually agreeable time, one file of the Plan data prepared and maintained by the Trustee in the ordinary course of business, in the Trustee's format. The Trustee may provide other or additional transition assistance as mutually determined for additional fees, which shall be due and payable by the Sponsor prior to any termination of this Agreement.

(e) Failure to Appoint Successor.
If, by the termination date, the Sponsor has not notified the Trustee in writing as to the individual or entity to which the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.

**Section 10. Successor Trustee.**

(a) Appointment.
If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities, and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

(b) Acceptance.

As of the date the successor trustee accepts its appointment under this Agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee, except as may be required to evidence such transition. The predecessor trustee shall execute all instruments and do all acts that may be reasonably necessary and requested in writing by the Sponsor or the successor trustee to vest title to all Trust assets in the successor trustee or to deliver all Trust assets to the successor trustee.

(c) Corporate Action.

Any successor of the Trustee or successor trustee, either through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation, or merger, or any similar transaction of either the Trustee or successor trustee, shall, upon consummation of the transaction, become the successor trustee under this Agreement.

**Section 11. Resignation. Removal, and Termination Notices.**

All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Senior Vice President Corporate Benefits Director, Zions Bancorporation, One South Main Street, Suite 600, Salt Lake City, Utah 84111, and to the Trustee c/o FESCo Business Compliance, Attn: Contracts, Fidelity Investments, 82 Devonshire Street, MM3H, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.

**Section 12. Duration.**

This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and termination thereof.

**Section 13. Insolvency of Sponsor.**

(a) Trustee shall cease disbursement of funds for payment of benefits to Participants if the Sponsor is Insolvent.

(b) All times during the continuance of this Trust, the principal and income of the Trust shall be subject to claims of general creditors of the Sponsor under federal and state law as set forth below.

(i) The Board of Directors and the Chief Executive Officer of the Sponsor shall have the duty to inform Trustee in writing of Sponsor's Insolvency. If a person claiming to be a creditor of the Sponsor alleges in writing to Trustee that Sponsor has become Insolvent, Trustee shall determine whether Sponsor is Insolvent and, pending such determination, Trustee shall discontinue disbursements for payment of benefits to Participants.

(ii) Unless Trustee has actual knowledge of Sponsor's Insolvency, or has received notice from Sponsor or a person claiming to be a creditor alleging that Sponsor is Insolvent, Trustee shall have no duty to inquire whether Sponsor is Insolvent. Trustee may in all events rely on such evidence concerning Sponsor's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Sponsor's solvency.

(iii) If at any time Trustee has determined that Sponsor is Insolvent, Trustee shall discontinue disbursements for payments to Participants and shall hold the assets of the trust for the benefit of Sponsor's general creditors. Nothing in this Agreement shall in any way diminish any rights of Participants to pursue their rights as general creditors of Sponsor with respect to benefits due under the Plan or otherwise.

(iv) Trustee shall resume disbursement for the payment of benefits to Participants in accordance with this Agreement only after Trustee has determined that Sponsor is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to (a) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the
aggregate amount of all payments due to Participants under the terms of the Plan for the period of such discontinuance, less the aggregate amount of any payments made to Participants by Sponsor in lieu of the payments provided for hereunder during any such period of discontinuance.

**Section 14. Amendment or Modification.**

This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee. The individuals authorized to sign such instrument shall be those authorized by the Sponsor.

**Section 15. Electronic Services.**

(a) The Trustee may provide communications and Electronic Services via electronic media, including, but not limited to NetBenefits, eWorkplace and Fidelity Plan Sponsor WebStation. The Sponsor agrees to use such Electronic Services only in the course of reasonable administration of or participation in the Plan and to keep confidential and not alter, publish, copy, broadcast, retransmit, reproduce, frame-in, link to, commercially exploit or otherwise redisseminate the Electronic Services, any content

associated therewith, or any portion thereof (including, without limitation, any trademarks and service marks associated therewith), without the written consent of the Trustee. Notwithstanding the foregoing, the Trustee acknowledges that certain

Electronic Services may, by their nature, be intended for noncommercial, personal use by Participants or their beneficiaries, with respect to their participation in the Plan, or for their other retirement or employee benefit planning purposes, and certain content may be intended or permitted to be modified by the Sponsor in connection with the administration of the Plan. In such cases, the Trustee will notify the Sponsor of such fact, and any requirements or guidelines associated with such usage or modification no later than the time of initial delivery of such Electronic Services. To the extent permission is granted to make Electronic Services available to administrative personnel designated by the Sponsor, it shall be the responsibility of the Sponsor to keep the Trustee informed as to which of the Sponsor personnel are authorized to have such access. Except to the extent otherwise specifically agreed by the parties, the Trustee reserves the right, upon notice when reasonably feasible, to modify or discontinue Electronic Services, or any portion thereof, at any time.

(b) Without limiting the responsibilities of the Trustee or the rights of the Sponsor stated elsewhere in this Agreement, Electronic Services shall be provided to the Sponsor without acceptance of legal liability related to or arising out of the electronic nature of the delivery or provision of such Services provided, however, the Trustee shall defend, indemnify and hold the Sponsor harmless from any claims brought by third parties based upon infringement of any patent, copyright, trademark, trade secret or other proprietary right in connection with the Electronic Services furnished under the Agreement. The Sponsor shall promptly notify the Trustee in writing of any such claim. The Sponsor shall give reasonable assistance to the Trustee in defense of any claim, at the Trustee's expense. The Trustee shall have sole control of the defense of any such claim. To the extent that any Electronic Services utilize Internet services to transport data or communications, the Trustee will take, and the Sponsor agrees to follow, reasonable security precautions. However, the Trustee disclaims any liability for interception of any such data or communications. The Trustee reserves the right not to accept data or communications transmitted electronically or via electronic media by the Sponsor or a third party if it determines that the method of delivery does not provide adequate data security, or if it is not administratively feasible for the Trustee to use the data security provided. The Trustee shall not be responsible for, and makes no warranties regarding access, speed or availability of Internet or network services, or any other service required for electronic communication, nor does the Trustee make any warranties, express or implied, and specifically disclaims all warranties of merchantability, fitness for a particular purpose, or non-infringement. The Trustee shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the Electronic Services made in violation of this Agreement.

(c) The Sponsor acknowledges that certain web sites through which the Electronic Services are accessed may be protected by passwords or require a login and the Sponsor agrees that neither the Sponsor nor, where applicable, Participants, will obtain or attempt to obtain unauthorized access to such Services or to any other protected materials or information, through any means not intentionally made available by the Trustee for the specific use of the Sponsor. To the extent that a PIN is necessary for access to the Electronic Services, the Sponsor and/or its Participants, as the case may be, are solely responsible for all activities that occur in connection with such PINs.

(d) The Trustee will provide to Participants the FullViewSM service via NetBenefits, through which Participants may elect to consolidate and manage any retirement account information available through NetBenefits as well as External Account Information. To the extent not provided by the Trustee or its affiliates, the data aggregation service will be provided by Yodlee.com, Inc. or such other independent provider as the Trustee may select, pursuant to a contract that requires the provider to take appropriate steps to protect the privacy and confidentiality of information furnished by users of the service. The Sponsor
acknowledges that Participants who elect to use FullViewSM must provide passwords and PINs to the provider of data aggregation services. The Trustee

will use External Account Information to furnish and support FullViewSM or other services provided pursuant to this Agreement, and as otherwise directed by the Participant. The Trustee will not furnish External Account Information to any third party, except pursuant to subpoena or other applicable law. The Sponsor agrees that the information accumulated through FullViewSM shall not be made available to the Sponsor, provided, however, that the Trustee shall provide to the Sponsor, upon request, aggregate usage data that contains no personally identifiable information.

(e) The Trustee will use best efforts to maintain security and confidentiality of all data retained on electronic systems.

**Section 16. Assignment.**

This Agreement, and any of its rights and obligations hereunder, may not be assigned by any party without the prior written consent of the other party(ies), and such consent may be withheld in any party's sole discretion. Notwithstanding the foregoing, Trustee may assign this Agreement in whole or in part, and any of its rights and obligations hereunder, to a subsidiary or affiliate of Trustee without consent of the Sponsor. All provisions in this Agreement shall extend to and be binding upon the parties hereto and their respective successors and permitted assigns.

**Section 17. Force Maieure.**

No party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligation(s) results, without its fault or negligence, from any cause beyond its reasonable control, such as acts of God, acts of civil or military authority, acts of terrorism, whether actual or threatened, quarantines, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, power outages or strikes. This clause shall not excuse any of the parties to the Agreement from any liability which results from failure to have in place reasonable disaster recovery and safeguarding plans adequate for protection of all data each of the parties to the Agreement are responsible for maintaining for the Plan.

**Section 18. Confidentiality.**

Both parties to this Agreement recognize that in the course of implementing and providing the services described herein, each party may disclose to the other Confidential Information. All such Confidential Information, individually and collectively, and other proprietary information disclosed by either party shall remain the sole property of the party disclosing the same, and the receiving party shall have no interest or rights with respect thereto if so designated by the disclosing party to the receiving party. Each party agrees to maintain all such Confidential Information in trust and confidence to the same extent that it protects its own proprietary information, and not to disclose such Confidential Information to any third party without the written consent of the other party. Each party further agrees to take all reasonable precautions to prevent any unauthorized disclosure of Confidential Information. In addition, each party agrees not to disclose or make public to anyone, in any manner, the terms of this Agreement, except as required by law, without the prior written consent of the other party.

**Section 19. General.**

(a) Performance bv Trustee, its Agents or Affiliates.

The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, and that certain of such services may be provided pursuant to one or more other contractual agreements or relationships.

(b) Entire Agreement.

This Agreement, together with the Schedules referenced herein, contains all of the terms agreed upon between the parties with respect to the subject matter hereof. This Agreement supersedes any and all other agreements, written or oral, made by the parties with respect to the services.

(c) Waiver.

No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other obligation hereunder or subsequent failure or refusal to comply with any other obligation hereunder.

(d) Successors and Assigns.

The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

(e) Partial Invalidity.

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(f) Section Headings.

The headings of the various sections and subsections of this Agreement have been inserted only for the purposes of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

(g) Communications.

In the event that the Sponsor retains any responsibility for delivering Participant communications to some or all Participants and beneficiaries, the Sponsor agrees to furnish the communications to such Participants in a timely manner as determined under applicable law. The Sponsor also represents that such communications will be delivered to such Participants and beneficiaries in a manner permitted by applicable law, including electronic delivery that is consistent with applicable regulations regarding electronic transmission (for example, DOL Regulation §2520.104b-1). The Trustee and its affiliates shall have no responsibility or liability for any Losses resulting from the failure of the Sponsor to furnish any such communications in a manner which is timely and consistent with applicable law.

The provisions of this Agreement shall apply to all information provided and all Participant communications prepared and delivered by the Sponsor or the Trustee during the implementation period prior to the execution date of this Agreement and throughout the term set forth in this Agreement.

(h) Survival.

Trustee's and Sponsor's respective obligations under this Agreement, which by their nature would continue beyond the termination of this Agreement, including but not limited to those contained in Sections 6(c), 8(d), 18, and 20, shall survive any termination of the Agreement.



(i) Merger.

The Trustee possesses the specific authority to, at the direction of the Sponsor, execute any instrument necessary to affect Plan asset transfers with trustees of other trusts whether or not sponsored by the Sponsor and to accept the direct transfer of Plan assets, or to transfer Plans assets, as a party to any such agreement, provided that the Trustee shall not be obligated to receive any direct transfer unless prior thereto or coincident therewith, as the Trustee may specify to the Sponsor in writing, the Trustee has received such reconciliation, allocation, investment or other information concerning such direction, contribution or representation with respect to the contribution or transfer or the source thereof as the Trustee may require.

At the direction of the Sponsor, this Trust may be merged or consolidated with, or its assets or liabilities may be transferred to, any other trust.

**Section 20. Use of Data.**

In order to fulfill its obligations under this Agreement, the Trustee may receive personal data, including but not limited to, compensation, benefits, tax, marital/family status and other similar information, about Participants ("Personal Data"). With respect to Personal Data it receives, the Trustee agrees to (i) safeguard Personal Data in accordance with its privacy policy, and (ii) exercise the same standard of care in safeguarding such Personal Data that it uses to protect the personal data of its own employees. Notwithstanding the foregoing, the Sponsor may monitor the Trustee's interactions with Participants and the Sponsor authorizes the Trustee to permit third-party prospects of the Trustee to monitor Participants' interactions for the purpose of evaluating Trustee's services.

**Section 21. Governing Law.**

(a) Massachusetts Law Controls.

This Agreement is being made in the Commonwealth of Massachusetts, and the Trust shall be administered as a Massachusetts trust. The validity, construction, effect, and administration of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, except to the extent those laws are superseded under section 514 of ERISA.

(b) Trust Agreement Controls.

The Trustee is not a party to the Plan, and in the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of this Agreement shall control with respect to the responsibilities of the Trustee. In all other cases, the provisions of the Plan shall control.



By signing below, the undersigned represent that they are authorized to execute this document on behalf of the respective parties. Each party may rely without duty of inquiry on the foregoing representation.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

**ZIONS BANCORPORATION**

By: /s/ Diana M. Andersen

Authorized Signatory

Name: Diana M. Andersen

Title:

Date:

**FIDELITY MANAGEMENT TRUST COMPANY**

By: /s/ Stephanie Sheehan
Authorized Signatory

Name: Stephanie Sheehan
Date: 9/20/2006

*__SCHEDULES__*

**Schedule "A" __Recordkeepinq and Administrative Services__**

**__Administration__**

* Establishment and maintenance of Participant account and election percentages.

* Maintenance of the Plan investment options set forth on Schedule "C".

* Maintenance of the money classifications set forth in the Plan Administration Manual.

* The Trustee will provide the recordkeeping and administrative services set forth on this Schedule "A" or as otherwise agreed to in writing (or by means of a secure electronic medium) between Sponsor and Trustee. The Trustee may unilaterally add or enhance services, provided such addition or enhancement is made globally across the Trustee's client base and provided there is no impact on fees set forth in Schedule "B."

**A) __Participant Services__**

1 Participant service representatives are available each Business Day at the times set forth in the Plan Administration Manual via toll free telephone service for Participant inquiries and transactions.

2 Through the automated voice response system and on-line account access via the world wide web, Participants also have virtually 24 hour account inquiry and transaction capabilities.

3 For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a PIN or such other personal identifier as may be agreed to from time to time by the Sponsor and the Trustee.

4 The following services are available via the telephone or such other electronic means as may be agreed upon from time to time by the Sponsor and the Trustee and will be provided as soon as administratively feasible or within such other timeline as may be agreed upon in writing between the Sponsor and Trustee:

- Process Participant enrollments, in accordance with the procedures set forth in the Plan Administration Manual.
- Provide Plan investment option information consisting of, but not limited, to prospectus and performance summaries.
- Provide and maintain information and explanations about Plan provisions.
- Respond to and provide requests for literature.
- Maintain and process changes to Participants' contribution allocations for all money sources, if applicable.
- Process exchanges (transfers) between investment options on a daily basis.
- Process in-service withdrawals, hardship withdrawals, and full distributions in accordance with the procedures set forth in the Plan Administration Manual.


**B) Plan Accounting**

1 Process consolidated payroll contributions according to the Sponsor's payroll frequency via EDT, consolidated magnetic tape or diskette. The data format will be provided by the Trustee via EDT, PSW, or as otherwise agreed upon in writing. If there is a change in data format, the Trustee will provide reasonably advanced notification to Sponsor.

2 Maintain and update employee data necessary to support Plan administration. The data will be submitted according to payroll frequency.

3 Provide daily Plan and Participant level accounting for all Plan investment options.

4 Provide daily Plan and Participant level accounting for all money classifications for the Plan.

5 Audit and reconcile the Plan and Participant accounts daily.

6 Reconcile and process Participant withdrawal requests and distributions in accordance with the procedures set forth in the Plan Administration Manual. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.

7 Maintain and process changes to Participants' existing hypothetical investment mix elections.

**C) Participant Reporting**

1 Provide confirmation to Participants of all Participant initiated transactions either online or via the mail, as selected by the Participant. Online confirms are generated upon submission of a transaction and mail confirms are available by mail generally within five (5) calendar days of the transaction.

2 Provide Participant statements in accordance with the procedures set forth in the Plan Administration Manual.

**D) Plan Reporting**

1 Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than ten (10) calendar days after the end of each month in the absence of unusual circumstances.

**E) Government Reporting**

1 Provide federal and state tax reporting and withholding on benefit payments made to Participants and beneficiaries in accordance with this Agreement.]

2 Provide Mutual Fund tax reporting (Forms 1099 DIV. and 1099-B) to the Sponsor.



**F) Communication & Education Services**

1 Design, produce and distribute a customized comprehensive communications program for employees. The program may include multimedia informational materials, investment education and planning materials, access to Fidelity's homepage on the internet and STAGES magazine. Additional fees for such services may apply as mutually agreed upon between Sponsor and Trustee.

**G) Other**

1 Plan Sponsor Webstation: The Fidelity Participant Recordkeeping System is available on-line to the Sponsor via the Plan Sponsor Webstation. PSW is a graphical, Windows- based application that provides current Plan and Participant-level information, including indicative data, account balances, activity and history. The Sponsor agrees that PSW access will not be granted to third parties without the prior consent of the Trustee.

2 Change of Address by Telephone: The Trustee shall allow Participants as directed by the Sponsor and documented in the Plan Administration Manual, to make address changes via Fidelity's toll-free telephone service.

| **ZIONS BANCORPORATION** | | | **FIDELITY MANAGEMENT TRUST COMPANY** | | |
|---|---|---|---|---|---|
| By: | /s/ Diana M. Andersen | 8/18/2006 | By: | /s/ Stephanie Sheehan | 9/20/2006 |
| | Authorized Signatory | Date | | Authorized Signatory | Date |

**Schedule "B"** **Fee Schedule**

Annual Recordkeeping Fee: Fee waived.

Non-Fidelity Mutual Funds: Fees paid directly to Fidelity Investments Institutional Operations Company, Inc. (FIIOC) Or its affiliates by Non-Fidelity Mutual Fund Vendors shall be posted and updated quarterly on Plan Sponsor Webstation at https://psw.fidelity.com or successor site.

**Zions Preferred Stock:**

Commissions:

For the Zions Bancorporation Restated Deferred Compensation Plan, Fidelity Capital Markets shall be entitled to remuneration in an amount of no more than three and one-fifth cents ($.032) commission on each share of Zions Preferred Stock. Any increase in such remuneration may be made only by a signed agreement between the Sponsor and Trustee.

**Other Fees:**

- Other Fees: separate charges may apply for extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by Fidelity, reports not contemplated in this Agreement, corporate actions, or the provision of communications materials in hard copy which are also accessible to participants via electronic services in the event that the provision of such material in hard copy would result in an additional expense deemed to be material. The Administrator may withdraw reasonable administrative fees from the Trust by written direction to Fidelity.

| **ZIONS BANCORPORATION** | | | **FIDELITY MANAGEMENT TRUST COMPANY** | | |
|---|---|---|---|---|---|
| By: | /s/ Diana M. Andersen | 8/18/2006 | By: | /s/ Stephanie Sheehan | 9/20/2006 |
| | Authorized Signatory | Date | | Authorized Signatory | Date |

**Schedule "C"** **Investment Options**

In accordance with Section 5(b), the Sponsor hereby directs the Trustee that Participants' individual hypothetical accounts may be invested in the following investment options:

*For the Zions Bancorporation Restated Deferred Compensation Plan*:

- Fidelity Capital & Income Fund
- Fidelity Freedom 2000 Fund®
- Fidelity Freedom 2005 Fund®
- Fidelity Freedom 2010 Fund®
- Fidelity Freedom 2015 Fund®
- Fidelity Freedom 2020 Fund®
- Fidelity Freedom 2025 Fund®
- Fidelity Freedom 2030 Fund®
- Fidelity Freedom 2035 Fund®
- Fidelity Freedom 2040 Fund®
- Fidelity Freedom Income Fund®
- Fidelity Retirement Money Market Portfolio
- Fidelity U.S. Bond Index Fund
- AllianceBernstein International Value Fund - Advisor Class
- American Beacon Large Cap Value Fund - PlanAhead Class
- BlackRock International Opportunities Fund - Institutional Class
- Columbia Acorn USA Fund - Class Z
- Evergreen Special Values Fund - Institutional Class
- Janus Mid Cap Value Fund - Investor Class
- Julius Baer International Equity Fund - Class A
- Lazard Emerging Markets Portfolio - Institutional Class
- Legg Mason Partners Aggressive Growth Fund - Class A
- Loomis Sayles Bond - Institutional Class
- Loomis Sayles Global Bond - Institutional Class
- Morgan Stanley Institutional International Real Estate Portfolio - Class A
- PIMCO Commodity Real Return Strategy Fund - Institutional Class
- PIMCO Total Return Fund - Institutional Class
- Rainier Small/Mid Cap Equity Portfolio - Investor Class
- Spartan® International Index Fund - Investor Class
- Spartan® Total Market Index Fund - Investor Class
- Spartan® U.S. Equity Index Fund - Investor Class
- Vanguard Mid-Cap Index Fund - Admiral Class
- Vanguard REIT Index Fund - Admiral Class
- Vanguard Small-Cap Index Fund - Admiral Class
- Victory Diversified Stock Fund - Class A
- Wasatch Core Growth Fund
- Wasatch Small Cap Value Fund
- Zions Common Stock Fund
- Zions Preferred Stock Fund

For the Zions Bancorporation Restated Deferred Compensation Plan, the Sponsor hereby directs that the investment option referred to in Section 5(c), Section 5(f)(vi)(B)(5), and Section 5(g)(vi)(B)(5) shall be Fidelity Retirement Money Market Portfolio.

*For the Zions Bancorporation Restated Deferred Compensation Plan for Directors*

- Fidelity Retirement Money Market Portfolio
- Zions Common Stock Fund

For the Zions Bancorporation Restated Deferred Compensation Plan for Directors, the Sponsor hereby directs that the investment option referred to in Section 5(c) and Section 5(f)(vi)(B)(5) shall be Fidelity Retirement Money Market Portfolio.

*For the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan*

- Zions Common Stock Fund

For the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan, the Sponsor hereby directs that the investment option referred to in Section 5(f)(vi)(B)(5) shall be the Zions Common Stock Fund.

**ZIONS BANCORPORATION**

| By: | /s/ Connie Linardakis | 9/13/2006 |
| --- | --- | --- |
| | Authorized Signatory | Date |

**Schedule "D" Operational Guidelines for Non-Fidelity Mutual Funds**

**Pricing**

By 7:00 p.m. Eastern Time ("ET") each Business Day, the Non-Fidelity Mutual Fund Vendor ("Fund Vendor") will input the following information ("Price Information") into the Fidelity Participant Recordkeeping System ("FPRS") via the remote access price screen that FIIOC, an affiliate of the Trustee, has provided to the Fund Vendor: (1) the NAV for each Fund at the Close of Trading, (2) the change in each Fund's NAV from the Close of Trading on the prior Business Day, and (3) in the case of an income fund or funds, the daily accrual for interest rate factor ("mil rate"). FIIOC must receive Price Information each Business Day. If on any Business Day the Fund Vendor does not provide such Price Information to FIIOC, FIIOC shall pend all associated transaction activity in the FPRS until the relevant Price Information is made available by Fund Vendor.

**Trade Activity and Wire Transfers**

By 7:00 a.m. ET each Business Day following Trade Date ("Trade Date Plus One"), FIIOC will provide, via facsimile, to the Fund Vendor a consolidated report of net purchase or net redemption activity that occurred in each of the Funds up to 4:00 p.m. ET on the prior Business Day. The report will reflect the dollar amount of assets and shares to be invested or withdrawn for each Fund. FIIOC will transmit this report to the Fund Vendor each Business Day, regardless of processing activity. In the event that data contained in the 7:00 a.m. ET facsimile transmission represents estimated trade activity, FIIOC shall provide a final facsimile to the Fund Vendor by no later than 9:00 a.m. ET. Any resulting adjustments shall be processed by the Fund Vendor at the net asset value for the prior Business Day.

The Fund Vendor shall send via regular mail to FIIOC transaction confirms for all daily activity in each of the Funds. The Fund Vendor shall also send via regular mail to FIIOC, but no later than the fifth Business Day following calendar month close, a monthly statement for each Fund. FIIOC agrees to notify the Fund Vendor of any balance discrepancies within twenty (20) Business Days of receipt of the monthly statement.

For purposes of wire transfers, FIIOC shall transmit a daily wire for aggregate purchase activity and the Fund Vendor shall transmit a daily wire for aggregate redemption activity, in each case including all activity across all Funds occurring on the same day.

**Prospectus Delivery**

FIIOC shall be responsible for the timely delivery of Fund prospectuses and periodic Fund reports ("Required Materials") to Participants, and shall retain the services of a third-party vendor to handle such mailings. The Fund Vendor shall be responsible for all materials and production costs, and hereby agrees to provide the Required Materials to the third-party vendor selected by FIIOC. The Fund Vendor shall bear the costs of mailing annual Fund reports to Participants. FIIOC shall bear the costs of mailing prospectuses to Participants.

**Proxies**

The Fund Vendor shall be responsible for all costs associated with the production of proxy materials. FIIOC shall retain the services of a third-party vendor to handle proxy solicitation mailings and vote tabulation. Expenses associated with such services shall be billed directly the Fund Vendor by the third-party vendor.

**Participant Communications**

The Fund Vendor shall provide internally prepared fund descriptive information approved by the Funds' legal counsel for use by FIIOC in its written Participant communication materials. FIIOC shall utilize historical performance data obtained from third-party vendors (currently Morningstar, Inc., FACTSET Research Systems and Lipper Analytical Services) in telephone conversations with Participants and in quarterly Participant statements. The Sponsor hereby consents to FIIOC's use of such materials and acknowledges that FIIOC is not responsible for the accuracy of third-party information. FIIOC shall seek the approval of the Fund Vendor prior to retaining any other third-party vendor to render such data or materials under this Agreement.

**Compensation**

FIIOC shall be entitled to fees as set forth in a separate agreement with the Fund Vendor.

36**Schedule "E"** **Available Liquidity Procedures for Unitized Stock Funds**

The following procedures shall govern sales of the Stock Funds requested for a day on which Available Liquidity is insufficient:

1. Withdrawals and distributions will be aggregated and placed first in the hierarchy. If Available Liquidity is sufficient for the aggregate of such transactions, all such withdrawals and distributions will be honored. If Available Liquidity is not sufficient for the aggregate of such transactions, then such transactions will be suspended, and no transactions requiring a sale of Stock Fund units shall be honored for that day.

2. If Available Liquidity has not been exhausted by the aggregate of withdrawals and distributions, then all remaining transactions involving a sale of units in the Stock Funds (exchanges out) shall be grouped on the basis of when such requests were received, in accordance with standard procedures maintained by the Trustee for such grouping as they may be amended from time to time. To the extent of Available Liquidity, groups of exchanges out of the Stock Funds shall be honored, by group, on a FIFO basis. If Available Liquidity is insufficient to honor all exchanges out within a group, then none of the exchanges out in such group shall be honored, and no exchanges out in a later group shall be honored.

3. Transactions not honored on a particular day due to insufficient Available Liquidity shall be honored, using the hierarchy specified above, on the next Business Day on which there is Available Liquidity.



(Back To Top)

# Section 10: EX-10.16 (REVISED SCHEDULE C TO ZIONS BANCORP DEF COMP PLAN MASTER TRUST)

EXHIBIT 10.16

**Schedule "C"** **Investment Options**

In accordance with Section 5(b), the Sponsor hereby directs the Trustee that Participants' individual hypothetical accounts may be invested in the following investment options:

*For the Zions Bancorporation Restated Deferred Compensation Plan*:

- Fidelity Capital & Income Fund
- Fidelity Freedom 2000 Fund®
- Fidelity Freedom 2005 Fund®
- Fidelity Freedom 2010 Fund®
- Fidelity Freedom 2015 Fund®
- Fidelity Freedom 2020 Fund®
- Fidelity Freedom 2025 Fund®
- Fidelity Freedom 2030 Fund®
- Fidelity Freedom 2035 Fund®
- Fidelity Freedom 2040 Fund®
- Fidelity Freedom Income Fund®
- Fidelity Retirement Money Market Portfolio
- Fidelity U.S. Bond Index Fund
- AllianceBernstein International Value Fund – Advisor Class
- American Beacon Large Cap Value Fund – PlanAhead Class
- BlackRock International Opportunities Fund – Institutional Class
- Columbia Acorn USA Fund – Class Z
- Evergreen Special Values Fund – Institutional Class
- Janus Mid Cap Value Fund – Investor Class
- Julius Baer International Equity Fund – Class A
- Lazard Emerging Markets Portfolio – Institutional Class
- Legg Mason Partners Aggressive Growth Fund – Class A
- Loomis Sayles Bond – Institutional Class
- Loomis Sayles Global Bond – Institutional Class

- Morgan Stanley Institutional International Real Estate Portfolio – Class A
- PIMCO Commodity Real Return Strategy Fund – Institutional Class
- PIMCO Total Return Fund – Institutional Class
- Rainier Small/Mid Cap Equity Portfolio – Investor Class
- Spartan® International Index Fund – Investor Class
- Spartan® Total Market Index Fund– Investor Class
- Spartan® U.S. Equity Index Fund– Investor Class
- Vanguard Mid-Cap Index Fund – Admiral Class
- Vanguard REIT Index Fund – Admiral Class
- Vanguard Small-Cap Index Fund – Admiral Class
- Victory Diversified Stock Fund – Class A
- Wasatch Core Growth Fund
- Wasatch Small Cap Value Fund
- Zions Common Stock Fund
- Zions Preferred Stock Fund

For the Zions Bancorporation Restated Deferred Compensation Plan, the Sponsor hereby directs that the investment option referred to in Section 5(c), Section 5(f)(vi)(B)(5), and Section 5(g)(vi)(B)(5) shall be Fidelity Retirement Money Market Portfolio.

*For the Zions Bancorporation Restated Deferred Compensation Plan for Directors*

- Fidelity Retirement Money Market Portfolio
- Zions Common Stock Fund

For the Zions Bancorporation Restated Deferred Compensation Plan for Directors, the Sponsor hereby directs that the investment option referred to in Section 5(c) and Section 5(f)(vi)(B)(5) shall be Fidelity Retirement Money Market Portfolio.

*For the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan*

- Zions Common Stock Fund

For the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan, the Sponsor hereby directs that the investment option referred to in Section 5(f)(vi)(B)(5) shall be the Zions Common Stock Fund.

**ZIONS BANCORPORATION**

| By: | /s/ Connie Linardakis | 9/13/2006 |
|---|---|---|
| | Authorized signatory | Date |

(Back To Top)

# Section 11: EX-10.18 (FIFTH AMENDMENT TO THE TRUST AGREEMENT FOR DEF COMP PLANS)

EXHIBIT 10.18

**FIFTH AMENDMENT TO TRUST AGREEMENT BETWEEN
FIDELITY MANAGEMENT TRUST COMPANY AND
ZIONS BANCORPORATION**

**THIS FIFTH AMENDMENT**, dated and effective as of the twelfth day of September, 2013, and effective on that date unless otherwise stated herein, by and between Fidelity Management Trust Company (the "Trustee") and Zions Bancorporation (the "Sponsor");

**WITNESSETH**:

**WHEREAS**, the Trustee and the Sponsor heretofore entered into a Master Trust Agreement dated September 1, 2006, with regard to the Zions Bancorporation Restated Deferred Compensation Plan, Zions Bancorporation Restated Deferred Compensation Plan for Directors, and the Restated Amegy Bancorporation, Inc. Non-Employees Directors Deferred Fee Plan (collectively and individually, the "Plan"); and

**WHEREAS**, the Sponsor has informed the Trustee, with respect to the Zions Bancorporation Restated Deferred Compensation Plan, that due to a redemption of the Zions Preferred Stock C Fund ("Stock Fund"), the Stock Fund will be eliminated as an investment option under the Restated DCP; therefore, *effective at the close of business (4:00 p.m. ET) ("Market Close") on September 12, 2013*, the assets of the Stock Fund are frozen to all transactions; and

**WHEREAS**, the Sponsor hereby directs the Trustee, in accordance with Section 8(c) of the Trust Agreement, *effective at Market Close on September 12, 2013,* to redirect all participant contributions directed to the Stock Fund to be invested in the Fidelity® Money Market Trust Retirement Money Market Portfolio. The parties hereto agree that the Trustee shall have no discretionary authority with respect to this redirection directed by the Sponsor. Any variation from the procedure described herein may be instituted only at the express written direction of the Sponsor; and

**WHEREAS**, the Sponsor has informed the Trustee that, in accordance to the terms of the redemption agreement, each Stock Fund shareholder will receive $25.00 in cash for each share of Preferred Stock C held in the Stock Fund, and a prorated amount for any fractional share held in the Stock Fund; and, upon receipt by the Plan of the cash proceeds *on or about September 17, 2013*, the cash proceeds shall be invested in the Fidelity® Money Market Trust Retirement Money Market Portfolio; and

**WHEREAS**, the Trustee and the Sponsor now desire to amend said Trust Agreement as provided for in Section 13 thereof;

**NOW THEREFORE**, in consideration of the above premises, the Trustee and the Sponsor hereby amend the Trust Agreement by:

(1) *Effective at Market Close on September 12, 2013*, amending Schedule "C", Investment Options, to delete the reference to "Zions Preferred Stock C Fund (Real Time Trading Option)", and replace it with the following:

    (1) Zions Preferred Stock C Fund (Real Time Trading Option) (frozen to all transactions)

(2) *Effective upon completion of the above-referenced Zions Preferred Stock C Fund liquidation*, amending Section 1, Definitions, to delete subsection (jj), Zions Preferred Stock C, and (nn), Zions Preferred Stock C Fund, in their entirety, and re-letter all subsequent subsections accordingly.

(3) *Effective upon completion of the above-referenced Zions Preferred Stock C Fund liquidation*, amending Section 5(f), Zions Common Stock and Zions Preferred Stock in the

Zions Bancorporation Restated Deferred Compensation Plan, by restating the first paragraph, in its entirety, as follows:

Trust investments in Zions Common Stock shall be made via the Zions Common Stock Fund. Trust investment in Zions Preferred Stock A shall be made via the Zions Preferred Stock A Fund. References in this section to Zions Preferred Stock shall mean, individually and collectively, Zions Preferred Stock A.

(4) *Effective upon completion of the above-referenced Zions Preferred Stock C Fund liquidation*, amending Schedule "C", Investment Options, to delete the following:

(4) Zions Preferred Stock C Fund (Real Time Trading Option) (frozen to all transactions)

**IN WITNESS WHEREOF**, the Trustee and the Sponsor have caused this Fifth Amendment to be executed by their duly authorized officers effective as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this document on behalf of the respective parties. Notwithstanding any contradictory provision of the agreement that this document amends, each party may rely without duty of inquiry on the foregoing representation.

**ZIONS BANCORPORATION**

**FIDELITY MANAGEMENT TRUST COMPANY**

By: /s/ Tim Hettinger 9/16/13
Authorized Signatory Date

By: /s/ Mary Beth Paris 10/9/13
FMTC Authorized Signatory Date

(Back To Top)

# Section 12: EX-10.24 (FIRST AMENDMENT TO THE ZIONS BANCORP RESTATED PENSION PLAN)

EXHIBIT 10.24

**FIRST AMENDMENT**
**TO THE**

## ZIONS BANCORPORATION PENSION PLAN

*(As restated Effective January 1, 2009 - Changing the Plan Sponsor and Plan Name and Terminating the Plan)*

This First Amendment to the Zions Bancorporation Pension Plan, as restated Effective January 1, 2009, is made and entered into this ___29__ day of October, 2018, by Zions Bancorporation, N.A.

W I T N E S S E T H:

WHEREAS, Zions Bancorporation has previously established and entered into the Zions Bancorporation Pension Plan ("Plan"), which Plan has been most recently amended and restated in its entirety retroactively effective as of January 1, 2009; and

WHEREAS, effective as of October 1, 2018, Zions Bancorporation and all authority, responsibility and obligations of Zions Bancorporation with respect to the Plan have been transferred to, merged into and assumed by ZB, NA, which as of the same date has been renamed Zions Bancorporation, N.A. (Employer); and

WHEREAS, pursuant to the authority and power granted to the Employer in connection with the merger of Zions Bancorporation into it, the Employer desires to amend the Plan for the purpose of identifying the new sponsor of the Plan and restating the name of the Plan accordingly; and

WHEREAS, based on the recommendation of the Benefits Committee of the Employer and after consultation with outside advisors and service providers to the Plan, the Board of Directors (Board) of the Employer now desires to terminate the Plan and proceed with

liquidation and distribution to the Plan participants of all assets from the Plan as are necessary to fund all benefit commitments due to them from the Plan; and

NOW THEREFORE, in consideration of the foregoing premises and mutual covenants herein contained, the Employer amends the Plan as follows (amended language is marked in ***bold/italics***):

*(The following amendments are made and adopted to reflect the merger of Zions Bancorporation into ZB, NA, and the resulting name change of ZB, NA to Zions Bancorporation, N.A.)*

1. The Title page is amended to provide that the name of the Plan "Zions Bancorporation Pension Plan" is changed to:

***Zions Bancorporation, N.A. Pension Plan***

2. The first paragraph in the Introduction is amended to read as follows:

The Zions Bancorporation Pension Plan ***(effective October 1, 2018, the Zions Bancorporation, N. A. Pension Plan)*** became effective ***initially*** on January 1, 1968. The Plan has been amended and restated from time to time.

3. The next to penultimate paragraph in the Introduction is amended to read as follows:

The Plan and Trust thereunder are created and maintained for the primary purpose of providing retirement benefits for eligible employees of Zions Bancorporation ***(effective October 1, 2018, Zions Bancorporation, N.A.)*** and its affiliates. It is intended that the Plan and Trust qualify under Sections 401(a) and 501(a) of the Internal Revenue Code of 1986, as amended, and that they meet the requirements of the Employee Retirement Income Security Act of 1974, as amended.

4. Plan Section 1.5 is amended to read as follows:

1.5 "Affiliate" or "Subsidiary Affiliate" or "Subsidiary" means Zions Bancorporation ***(effective October 1, 2018, Zions Bancorporation, N.A.)*** and each member of a controlled group of corporations (as defined in Code Section 1563(a), determined without regard to Code Sections 1563(a)(4) and (e)(3)(C)), a group of trades or businesses (whether incorporated or not) that are under common control within the meaning of Code Section 414(c), or an affiliated service group (as defined in Code Sections 414(m) or 414(0)), of which Zions Bancorporation is a part. With respect to the Maximum Retirement Benefit defined in Section 11.2, in determining whether a corporation is a member of a controlled group of corporations the phrase "more than 50%" will be substituted for the phrase "at least 80%" each place it appears in Code Section 1563(a)(l ).

5.Plan Section 1.14 is amended to read as follows:

1.14 "Company" means Zions Bancorporation and any Affiliate or Subsidiary that adopts this Plan with the consent of the Board of Directors of Zions Bancorporation. The Affiliates and Subsidiaries listed on Appendix V, as it may be revised from time to time, have adopted this Plan and are, as of the date or dates stated on Appendix V, a participating Company in the Plan. ***Effective October 1, 2018, all authority, responsibility and obligations of Zions Bancorporation have been transferred to, merged into and assumed by Z.B., N.A., which as of the same date has been renamed Zions Bancorporation, N.A. All references in this Plan to the "Company," to "Zions" or to "Zions Bancorporation" shall refer to and mean Zions Bancorporation, N.A. from and after October 1, 2018.***

6. Plan Section 1.37 is amended to read as follows:

1.37 "Plan" means the Zions Bancorporation Pension Plan. ***Effective October 1, 2018, "Plan" shall mean the Zions Bancorporation, N.A. Pension Plan.***

7. Plan Section 1.50 is amended to read as follows:

1.50 Zions" means Zions Bancorporation, which is the sponsor of this Plan and the ultimate parent corporation of the Employer. ***Effective October 1, 2018, all authority, responsibility and obligations of Zions Bancorporation have been transferred to, merged into and assumed by Z.B., N.A., which as of the same date has been renamed Zions Bancorporation, N.A. All references in this Plan to the "Company," to "Zions" or to "Zions Bancorporation" shall refer to and mean Zions Bancorporation, N.A. from and after October 1, 2018.***

*(The following amendments are made and adopted to facilitate the termination of the Plan)*

8. The Introduction is amended to add a new paragraph at the end to read as follows:

***The Plan has been terminated effective December 31, 2018.***

9. A new Section 4.9 is added at the end of Article IV to read as follows:

***4.9 Termination of Plan. The Plan has been terminated effective December 31, 2018. All Accrued Benefits shall be held and distributed from the Plan in the manner and as permitted under Section 10.2 and the regulations and other guidance issued by the Pension Benefit Guarantee Corporation and the Treasury and the Internal Revenue Service.***

10. Section 10.1 is amended to read as follows:

10.1 Termination of Plan. The Company expects to continue the Plan indefinitely but reserves the right to terminate the Plan in whole or in part. ***The Plan has been terminated effective December 31, 2018. All Accrued Benefits shall be held and distributed from the Plan in the manner and as permitted under Section 10.2 and the regulations and other guidance issued by the Pension Benefit Guarantee Corporation and the Treasury and the Internal Revenue Service.***

11. Paragraphs 1 through 7 of this First Amendment shall be effective as of October 1, 2018. Paragraphs 8 through 10 shall be effective as of the dates indicated therein. In all other respects the Plan is ratified and approved.

IN WITNESS WHEREOF, the Employer has caused this First Amendment to the Plan to be duly executed as of the date and year first above written.

"EMPLOYER"
Zions Bancorporation, N.A.

By: ______/s/ Paul Burdiss ______________
Name: __Paul Burdiss_________________
Title: __EVP & CFO___________________



(Back To Top)

# Section 13: EX-10.25 (SECOND AMENDMENT TO THE ZIONS RESTATED PENSION PLAN)

EXHIBIT 10.25

**SECOND AMENDMENT TO THE**
**ZIONS BANCORPORATION, N.A. PENSION PLAN**
*(December 31, 2013 Edition)*

This Second Amendment to the Zions Bancorporation, N.A. Pension Plan is made and entered into this __31st day of December, 2018, by the Zions Bancorporation, N.A. Benefits Committee ("Committee") on behalf of Zions Bancorporation, N.A., ("Employer").

WHEREAS, the Employer has previously established and continues to maintain a pension plan for certain employees of the Employer and certain of its affiliates called the Zions Bancorporation, N.A. Pension Plan ("Plan"); and

WHEREAS, the Employer has most recently amended and restated the Plan effective as of January 1, 2009, and incorporated therein all subsequent amendments adopted through December 31, 2013, as the December 31, 2013 Edition of the Plan; and

WHEREAS, pursuant to Section 13.1(a) of the Plan the Employer has reserved the right to amend the Plan in whole or in part, which authority for purposes of this amendment has been delegated to the Committee; and

WHEREAS, the Committee has most recently adopted an unnumbered amendment to the Plan (a fourth amendment to the

December 31, 2013 Edition), which provides for the termination of the Plan; and

WHEREAS, the Committee has now determined that it is in best interests of the Plan participants and good Plan administration to adopt further amendments to the Plan to allow eligible participants to elect additional distribution options as a result of the Plan termination, to facilitate rollovers and otherwise assist Plan participants in obtaining distributions that suit their individual circumstances;

NOW THEREFORE, the Committee, for and on behalf of the Employer, and in exercise of the authority granted to it, hereby adopts the following amendments to the Plan.

1. A new Section 5.18 is added to the Plan to read as follows:

5.18 Temporary Plan Termination Election Window Permitting Immediate Distribution of Accrued Benefits in connection with Termination of the Plan. An Eligible Participant who satisfies the requirements of this Section and who so elects during the Plan Termination Election Window, shall be entitled and may elect to receive an Immediate Distribution of the Eligible Participant's Accrued Benefit according to the provisions of this Section.

(a) If an Eligible Participant properly elects an Immediate Distribution under this Section 5.18, the benefit payment shall be made in the form of an Immediate Lump Sum or an Immediate Annuity, as elected. Payment of the Immediate Distribution shall be made, or commence to be made, on the Plan Termination Distribution Date (or as soon thereafter as administratively feasible).

(b) The amount of the Immediate Lump Sum, if elected, will be calculated using the Applicable Mortality Table and Applicable Interest Rate as defined in subsections (a) and (b) of Appendix II to the Plan, respectively. The amount so determined will be adjusted, as appropriate, for early commencement by using the applicable interest rate and applicable mortality table required by Code §417(e)(3) in effect for the Plan Year that contains the Plan Termination Distribution Date. The calculation shall be determined as of the Plan Termination Distribution Date, and the benefit shall be paid or distributed within thirty days thereafter, or if later, as soon as administratively feasible. The determination of the amount of the Immediate Lump Sum shall not take into account any early retirement subsidy otherwise payable.

(c) An Eligible Participant may, in lieu of the Immediate Lump Sum payment, elect to receive distribution in the form of an Immediate Annuity. The available options for payment of the Immediate Annuity are:

(i) With respect to a Retirement Eligible Participant, any form of payment option the Retirement Eligible Participant may elect under the Plan, payable in accordance with the provisions in Section 5.1 (but without regard to any requirement of prior Termination of Employment), or payable in accordance with the provisions in Article VIII, if the Retirement Eligible Participant is deceased as of the Plan Termination Distribution Date.

(ii) With respect to all other Eligible Participants, a single life annuity for the life of the Eligible Participant or, if the Eligible Participant is married on the Plan Termination Distribution Date, in the form of a joint and survivor annuity with either a 50% or 75% survivor benefit to the Eligible Participant's surviving spouse. The amount of the Immediate Annuity benefit will be calculated using the Applicable Mortality Table and Applicable Interest Rate as defined in subsections (a) and (b) of Appendix II to the Plan, respectively. The amount so determined will be adjusted, as appropriate, for early commencement by using the applicable interest rate and applicable mortality table required by Code §417(e)(3) in effect for the Plan Year that contains the Plan Termination Distribution Date. The determination of the amount of the Immediate Annuity shall not take into account any early retirement subsidy otherwise payable.

(iii) With respect to an individual who is an alternate payee under a QDRO that applies to the Accrued Benefits of an Eligible Participant, any annuity option described in (i) or (ii) above, subject to the terms of the QDRO, except that the alternate payee may not elect a joint and survivor annuity form of payment.

(d) No other Immediate Distribution options shall be available to an Eligible Participant during the Plan Termination Election Window. An Eligible Participant who is married on the Plan Termination Distribution Date must obtain spousal consent to elect a form of benefit other than an available joint and survivor annuity in accordance with the Plan's normal rules.

(e) An Eligible Participant shall not be required to elect an Immediate Distribution under this Section 5.18. However, if the Eligible Participant fails to elect an Immediate Distribution, then the Eligible Participant must elect during the Plan Termination Election Window to receive payment of his or her vested Accrued Benefit or death benefit, as applicable, in accordance with existing Plan provisions. If the Eligible Participant elects a form of benefit payment other than an

Immediate Distribution and the form of benefit payment elected has a commencement date that is later than the Plan Termination Distribution Date, the Plan shall distribute a deferred annuity contract equal to the Eligible Participant's Accrued Benefit to the Participant on the Plan Termination Distribution Date. In no event may an Eligible Participant elect to receive any form of benefit payment from the Plan (either as an Immediate Distribution under this Section 5.18 or as another form of benefit available to the Eligible Participant under the Plan) that would cause or allow for a distribution commencement date after the Plan Termination Distribution Date.

(f) The election by an Eligible Participant of an Immediate Distribution shall comply with the spousal consent rules in Section 5.6 of the Plan, as applicable.

(g) Coordination with Section 5.8 ("Payment of Small Benefits"). Where an Eligible Participant would be subject to both this Section 5.18 and Section 5.8 (i.e., where the Actuarial Equivalence of the Eligible Participant's Accrued Benefit is less than $5,000 on the Plan Termination Distribution Date), the provisions in Section 5.8 shall control (but without regard to any requirement of prior Termination of Employment) and this Section 5.18 shall not apply. Payment of the Eligible Participant's Accrued Benefit shall be made on the Plan Termination Distribution Date.

(h) For purposes of this Section 5.18, the following terms shall have the following meanings.

(i) "Eligible Participant" means a Participant who has not yet commenced receipt of his or her Accrued Benefit as of the Plan Termination Distribution Date.

(ii) "Immediate Annuity" means an annuity described in Section 5.18(c), with an Annuity Starting Date that is the Plan Termination Distribution Date

(iii) "Immediate Distribution" means an Immediate Lump Sum, an Immediate Annuity or both, as the context requires.

(iv) "Immediate Lump Sum" means a single lump sum payment, elected by an Eligible Participant under this Section 5.18 and payable as of the Plan Termination Distribution Date in accordance with the provisions in Section 5.18(b). If the Participant's Cash Balance Account as of the Plan Termination Distribution Date is greater than the amount determined in the preceding sentence, the amount of the Cash Balance Account will be the Immediate Lump Sum.

(v) "Plan Termination Distribution Date" means the date selected by the Committee for distribution of all remaining plan assets in connection with the Termination of Plan.

(vi) "Plan Termination Election Window" means the period of time selected by the Committee during which an Eligible Participant may elect to receive payment as described within this Section 5.18. No Participant may elect a single sum payment or early commencement of payment or any distribution not otherwise authorized under the terms of the Plan after the close of the Plan Termination Election Window.

(vii) "QDRO" means Qualified Domestic Relations Order, as defined in Section 1.39 and further described in Section 5.14.

(viii) "Retirement Eligible Participant" means an Eligible Participant who as of the Plan Termination Distribution Date may commence receiving Monthly Retirement Income as described in Section 5.1 (but without regard to any requirement of prior Termination of Employment).

(ix) "Termination of Plan" means the Plan has been terminated effective December 31, 2018, as described in Section 4.9 and Section 10.1.

2. Section 7.1 is amended to include a new paragraph at the end thereof to read as follows:

(x) After the Termination of Plan effective date of December 31, 2018, Determination of Disability means a Participant has a "total and permanent disability" only if the Participant is entitled to disability retirement income payments under Title II of the Federal Social Security Act, or as otherwise provided in any deferred annuity contract issued to the Participant.

3. The second paragraph of Section 10.2(b) is amended to read as follows:

If any assets of the Plan remain after all liabilities of the Plan to Participants and their Beneficiaries have been

satisfied or provided for, any residual assets will be paid to the Company, provided such payment does not contravene any provision of law. When determining the recipient with respect to the payment of residual assets as contemplated under this Section, the term "Company" shall mean only Zions Bancorporation, N.A.

4. Section 10.2(c) is amended to read as follows:

(c) Upon termination of the Plan, benefits of missing Participants shall be treated in accordance with ERISA Section 4050. For this purpose any Participant who has not elected a benefit distribution from the Plan (that is, who has failed to return the necessary documentation electing one of the benefit options mandated under Section 5.18(e)) by the Plan Termination Distribution Date (as defined in Section 5.18(h)(v)) shall be deemed a missing Participant.

5. This Second Amendment shall be effective as of December 31, 2018, except as may be otherwise provided herein. In all other respects the Plan is ratified and confirmed.

IN WITNESS WHEREOF, the Committee has caused this Second Amendment to be executed by its duly authorized representative this _31st__ day of December, 2018.

ZIONS BANCORPORATION BENEFITS COMMITTEE

By: ____/s/ Paul Burdiss __________________________

Committee

Chair



(Back To Top)

# Section 14: EX-10.27 (SECOND AMENDMENT TO THE ZIONS BANCORPORATION PAYSHELTER 401(K) PLAN)

EXHIBIT 10.27

**SECOND AMENDMENT TO**
**THE ZIONS BANCORPORATION, N.A. PAYSHELTER 401(k) AND EMPLOYEE STOCK OWNERSHIP PLAN**

(*As amended and restated effective January 1, 2007*)

This Second Amendment to the Zions Bancorporation, N.A. Payshelter 401(k) and Employee Stock Ownership Plan ("Plan"), as restated and amended effective January 1, 2007, is made and entered into this ___31st____ day of December, 2018, by the Zions Bancorporation, N.A. Benefits Committee ("Committee") on behalf of Zions Bancorporation, N.A. ("Employer").

W I T N E S S E T H:

WHEREAS, the Employer has previously entered into the Plan, which Plan has been most recently restated and amended in its entirety effective for the plan year commencing on January 1, 2007, and for all plan years thereafter; and

WHEREAS, the Employer has reserved the right to amend the Plan in whole or in part, and

WHEREAS, the Committee has been authorized and empowered by the Board of Directors of the Employer to adopt

amendments or changes to the Plan which are designed to clarify a provision or provisions of the Plan or which are intended to maintain or bring the Plan into compliance with applicable Federal or state law, or which will not create or result in a significant increase in the cost to the Employer or any subsidiary thereof of maintaining or operating the Plan or have a material, substantive effect on the rights or obligations of the Employer or any subsidiary thereof with respect to the Plan; and

WHEREAS, the Committee, for and on behalf of the Employer and consistent with the power and authority granted to it, now desires to amend the Plan to provide for an increase in the formula that defines the percentage matching contribution available as a "safe harbor" matching contribution under the Plan and to require employees first hired after December 31, 2018 to wait until the January 1 or July 1 following the one-year anniversary of their hire date in order to receive an allocation of any "safe harbor" matching contribution under the Plan; and

WHEREAS, the Committee has determined that the increase in the "safe harbor" matching formula, when combined with the delay in allocating a "safe harbor" matching contribution to the accounts of employees first hired after December 31, 2018, will not create or result in a significant increase in the cost to the Employer or any subsidiary thereof of maintaining or operating the Plan;

NOW THEREFORE, in consideration of the foregoing premises, the Committee, for and on behalf of the Employer, adopts the following amendments to the Plan (amended language is marked in ***bold italics***):

1. Article 2 is amended to add a new Section 2.7A, to read as follows:

***2.7A "Applicable Date" shall mean for purposes of determining Employer Matching Contributions and allocations of Employer Matching Contributions and Employer Non-Elective Contributions under Articles 5 and 6, the earlier of the January 1 or July 1 that is on or after the first anniversary of the Participant's Employment Commencement Date.***

2. The first paragraph of Section 5.6, including the table therein, is amended to read as follows:

**5.6. Safe Harbor Employer Matching Contributions:** For each Plan Year the Employer may contribute to the Plan an amount, determined without regard to Net Profits, which will be sufficient to credit the Employer Matching Contribution Account of each Participant who is a Non-Highly Compensated Employee and who satisfies the requirements of Section 6.4, with amounts that satisfy the Employer's Matching Contribution percentage as determined by the Employer on a discretionary basis for the Plan Year. In no event however, shall the Employer Matching Contribution for any Participant who is a Non-Highly Compensated Employee in a Plan Year, when determined as a percentage of the Participant's Compensation for the Plan Year, ever be less than the percentage amounts shown in the following table:

| Participant's Elective Deferral percentage: | Percentage of Employer Matching Contribution: |
| --- | --- |
| 0% | 0.0% |
| 1% | 1.0% |
| 2% | 2.0% |
| 3% | 3.0% |
| 4% | 3.5% |
| 5% | 4.0% |

***Effective January 1, 2019, the following table shall apply when determining the percentage amount of the Employer Matching Contribution for the Plan Year. For a Participant who is a Non-Highly Compensated Employee and whose Employment Commencement Date is prior to January 1, 2019, the Employer Matching Contribution shall be determined as a percentage of the Participant's Compensation paid for the entire Plan Year. For a Participant whose Employment Commencement Date is on or after January 1, 2019, the Employer Matching Contribution for the Plan Year that contains the Participant's Applicable Date shall be determined as a percentage of***

***the Participant's Compensation paid only for the portion of the Plan Year that is from and after the Applicable Date. For each Plan Year thereafter the Employer Matching Contribution for such a Participant shall be determined as a percentage of the Participant's Compensation paid for the entire Plan Year.***

| ***Participant's Elective Deferral percentage:*** | ***Percentage of Employer Matching Contribution:*** |
|---|---|
| ***0%*** | ***0.0%*** |
| ***1%*** | ***1.0%*** |
| ***2%*** | ***2.0%*** |
| ***3%*** | ***3.0%*** |
| ***4%*** | ***3.5%*** |
| ***5%*** | ***4.0%*** |
| ***6%*** | ***4.5%*** |

3. Section 6.2(b) is amended to read as follows:

(b) Matching Contributions made pursuant to Section 5.6, if any, shall be allocated on each Annual Valuation Date (or if the Employer makes Matching Contributions on a calendar quarter or other periodic basis, ***then on an estimated basis*** on the last day of each calendar quarter or other period) to each Participant's Account who satisfies the requirements of Section 6.4(a), ***and for a Participant whose Employment Commencement Date is on or after January 1, 2019, Section 6.4(b). The amount shall equal the Employer Matching Contribution percentage determined by the Employer for the Plan Year, but in no event less than the percentage required under Section 5.6. Except as provided in the last sentence of this subsection,*** the Employer Matching Contribution shall be allocated according to the total Elective Deferrals (and effective June 1, 2007, the aggregate of the Participant’s pre-tax Elective Deferrals and Roth Elective Deferrals) and the total Compensation of the Participant for the Plan Year without regard to when during the Plan Year the Participant’s Elective Deferral or the Employer’s Matching Contribution is made. ***For a Participant whose Employment Commencement Date is on or after January 1, 2019, the Employer Matching Contribution for the Plan Year that contains the Participant’s Applicable Date shall be computed and allocated by taking into account only the aggregate of the pre-tax Elective Deferrals and Roth Elective Deferrals made and the total Compensation received by the Participant for that portion of the Plan Year that is from and after the Applicable Date.***

4. Section 6.4 is amended to read as follows:

**6.4. Eligibility for Allocation of Employer Matching and Non-Elective Contributions:** The eligibility of Participants to receive allocations of Employer Matching and Non-Elective Contributions for each Plan Year shall be determined in the following manner:

***(a)*** ***Effective January 1, 2006, and for all Plan Years thereafter t***he Administrator ***has and*** shall determine allocations of Matching Contributions on the basis of the Plan Year, ***without regard to when during the Plan Year the Participant’s Elective Deferral or the Employer’s Matching Contribution is made. All pre-tax Elective Deferrals and Roth Elective Deferrals and all Matching Contributions shall be subject*** to the maximum amount of Annual Compensation that may be taken into account under Code §401(a)(17). Matching Contributions, whether or not made on a periodic basis during the Plan Year, shall be allocated to Accounts of Participants without regard to any minimum Service or specific day ***of*** employment requirement.

***(b)*** ***For a Participant whose Employment Commencement Date is on or after January 1, 2019, only the rules***

***in this subsection (b) shall apply. Such a Participant shall not receive an allocation of Employer Matching Contributions for any period that is prior to the Applicable Date. From and after the Applicable Date the Participant shall be entitled to an allocation of Employer Matching Contributions for the remainder of the Plan Year containing the Applicable Date without regard to when during that portion of the Plan Year the Participant's Elective Deferrals or the Employer's Matching Contributions are made, provided that, only the aggregate of the Participant's pre-tax Elective Deferrals and Roth Elective Deferrals made and only Compensation received by the Participant from and after the Applicable Date in that Plan Year shall be taken into account. For all Plan Years thereafter the Employer Matching Contribution shall be allocated according to the aggregate of the Participant's pre-tax Elective Deferrals and Roth Elective Deferrals and the total Compensation of the Participant for the Plan Year without regard to when during the Plan Year the Participant's Elective Deferrals or the Employer's Matching Contributions are made. All pre-tax Elective Deferrals and Roth Elective Deferrals made and all Matching Contributions allocated under this subsection (b) shall be subject to the maximum amount of Annual Compensation that may be taken into account under Code §401(a)(17). Matching Contributions shall be allocated to Accounts of Participants without regard to any minimum Service or specific day of employment requirement.***

***(c)*** Except as otherwise provided in this Section 6.4, the Administrator shall determine allocations of Employer Non-Elective Contributions on the basis of the Plan Year. In allocating Employer Non-Elective Contributions to a Participant's Account, the Administrator shall take into account only Compensation paid ***to*** the Employee from and after the ***Applicable Date***. ***Employer Non-Elective Contributions for any Plan Year*** shall be allocated only to Accounts of Participants who complete at least 1,000 Hours of Service during the Plan Year and who are employed by the Employer on the last day of the Plan Year. The rules set forth in subsection ***(d)*** below shall also apply in determining when the Participant is eligible to receive an Employer Non-Elective Contribution.

***(d)*** If an Employee becomes a Participant in the Plan prior to the first anniversary of his Employment Commencement Date, he shall not receive an allocation of Employer Non-Elective Contributions ***prior to the Applicable Date***. From and after the ***Applicable Date*** the Participant shall be entitled to an allocation of Employer Non-Elective Contributions for the Plan Year ***in an amount determined pursuant to subsection (c) above, and*** provided the Participant ***also*** satisfies the Hours of Service and employment requirements of subsection ***(c)*** above.

3. This Second Amendment shall be effective January 1, 2019, and for all Plan Years commencing on and after that date. In all other respects, the Plan is ratified and approved.

IN WITNESS WHEREOF, the Zions Bancorporation, N.A. Benefits Committee by its authorized representative has caused this Second Amendment to the Plan to be duly executed as of the date and year first above written.

ZIONS BANCORPORATION, N.A. BENEFITS COMMITTEE

By:____ __/s/ Paul Burdiss ____________________
Name:___Paul Burdiss______________________
Title:__EVP & CFO__________________________

(Back To Top)

# Section 15: EX-10.28 (ZION BANCORPORATION PAYSHELTER 401(K) PLAN TRUST AGREEMENT)

EXHIBIT 10.28

**TRUST AGREEMENT**

**Between**

**ZIONS BANCORPORATION**

**And**

**FIDELITY MANAGEMENT TRUST COMPANY**

**ZIONS BANCORPORATION PAYSHELTER 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN TRUST**

**Dated as of July 3, 2006**

Fidelity Confidential

**TABLE OF CONTENTS**

***Section 1. Definitions*** ***1***

***Section 2. Trust*** ***7***

***Section 3. Exclusive Benefit and Reversion of Sponsor Contributions*** ***8***

***Section 4. Disbursements*** ***8***

***Section 5. Investment of Trust*** ***8***

**(a) Selection of Investments or Investment Options** **8**

**(b) Available Investments or Investment Options** **8**

**(c) Participant Direction** **9**

**(d) Mutual Funds** **9**
(i) Execution of Purchases and Sales 10
(ii) Voting 10

**(e) Sponsor Stock** **10**
(i) Acquisition Limit 11
(ii) Fiduciary Duty 11
(iii) Purchases and Sales of Sponsor Stock 12
(iv) Execution of Purchases and Sales of Units 13

(v) Securities Law Reports 13
(vi) Voting and Tender Offers 14
(vii) General 16
(viii) Conversion 16

**(f) Participant Loans 17**

**(g) Stable Value Investments 17**
(i) Collective Investment Funds Managed by the Trustee 17

**(h) Trustee Powers 17**

***Section 6. Recordkeeping and Administrative Services to be Performed 19***

**(a) General 19**

**(b) Accounts 19**

**(c) Inspection and Audit 19**

**(d) Notice of Plan Amendment 20**

**(e) Returns, Reports and Information 20**

***Section 7. Compensation and Expenses 20***

***Section 8. Directions and Indemnification 21***

**(a) Identity of Administrator and Named Fiduciary 21**

**(b) Directions from Administrator 21**

**(c) Directions from Named Fiduciary 21**

**(d) Co-Fiduciary Liability 22**

**(e) Indemnification** 22

**(f) Survival** 22

***Section 9. Resignation or Removal of Trustee and Termination*** *23*

**(a) Resignation and Removal** 23

**(b) Termination** 23

**(c) Notice Period** 23

**(d) Transition Assistance** 23

**(e) Failure to Appoint Successor** 23

***Section 10. Successor Trustee*** *24*

**(a) Appointment** 24

**(b) Acceptance** 24

**(c) Corporate Action** 24

***Section 11. Resignation, Removal, and Termination Notices*** *24*

***Section 12. Duration*** *25*

***Section 13. Amendment or Modification*** *25*

***Section 14. Electronic Services*** *25*

***Section 15. Assignment*** *27*

***Section 16. Force Majeure*** *27*

***Section 17. Confidentiality*** *28*

***Section 18. General*** *28*

**(a) Performance by Trustee, its Agents or Affiliates** **28**

**(b) Entire Agreement** **28**

**(c) Waiver** **28**

**(d) Successors and Assigns** **29**

**(e) Partial Invalidity** **29**

**(f) Section Headings** **29**

**(g) Communications** **29**

**(h) Survival** **30**

**(i) Merger** **30**

***Section 19. Use of Data*** ***31***

***Section 20. Governing Law*** ***31***

**(a) Massachusetts Law Controls** **31**

**(b) Trust Agreement Controls** **31**



***Section 21. Plan Qualification*** ***31***

***SCHEDULES*** ***33***

Schedule “A” – *Administrative Services* 33
Schedule “B” – *Fee Schedule* 37
Schedule “C” – *Investment Options* 39
Schedule “D” – *Statement of Qualified Status* 41
Schedule “E” – *Operational Guidelines for Non-fidelity Mutual Funds* 42
Schedule “F” – *Form 5500 Service* 44
Schedule “G” – *Available Liquidity Procedures for Unitized Stock Fund* 46
Schedule “H” – *Cash Dividend Operating Procedures* 47

**TRUST AGREEMENT**, dated as of the third day of July, 2006, between the **ZIONS BANCORPORATION**, a Utah corporation, having an office at One South Main Street, Salt Lake City, Utah 84111 (the "Sponsor"), and **FIDELITY MANAGEMENT TRUST COMPANY**, a Massachusetts trust company, having an office at 82 Devonshire Street, Boston, Massachusetts 02109 (the "Trustee").

**WITNESSETH:**

**WHEREAS**, the Sponsor is the sponsor of the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan (the "Plan"); and

**WHEREAS**, the Sponsor wishes to establish a single trust to hold and invest assets of the Plan, except for certain non-liquid assets held in the Real Estate Joint Venture, for the exclusive benefit of Participants, as defined herein, in the Plan and their beneficiaries; and

**WHEREAS**, the Trustee is willing to hold and invest the aforesaid Plan assets, except for the Real Estate Joint Venture, in trust among several investment options selected by the Named Fiduciary, as defined herein; and

**WHEREAS**, the Sponsor also wishes to have the Trustee perform certain ministerial recordkeeping and administrative functions under the Plan; and

**WHEREAS**, the Trustee is willing to perform recordkeeping and administrative services for the Plan if the services are ministerial in nature and are provided within a framework of plan provisions, guidelines and interpretations conveyed in writing to the Trustee by the Administrator (as defined herein).

**NOW, THEREFORE,** in consideration of the foregoing premises and the mutual covenants and agreements set forth below, the Sponsor and the Trustee agree as follows:

**Section 1. Definitions.**

The following terms as used in this Trust Agreement have the meaning indicated unless the context clearly requires otherwise:



**"Administrator"**

"Administrator" shall mean the Sponsor, identified in the Plan document as the administrator of the Plan in accordance with section 3(16)(A) of ERISA.

**(b) "Agreement"**

"Agreement" shall mean this Trust Agreement, and the Schedules and Exhibits attached hereto, as the same may be amended and in effect from time to time.

**(c) "Available Liquidity"**

"Available Liquidity" shall mean the amount of short-term investments held in the Stock Fund decreased by any outgoing cash for expenses then due and obligations for pending stock purchases, and increased by incoming cash (such as contributions) and to the extent credit is available and allocable to the Stock Fund, receivables for pending stock sales.

**(d) "Business Day"**

"Business Day" shall mean each day the NYSE is open. The closing of a Business Day shall mean the NYSE's normal closing time of 4:00 p.m.(ET), however, in the event the NYSE closes before such time or alters its closing time, all references to the NYSE closing time shall mean the actual or altered closing time of the NYSE.

**(e) "Closing Price"**

"Closing Price" shall mean either (1) the closing price of the Sponsor Stock on the principal national securities exchange on which the Sponsor Stock is traded or, in the case the Sponsor Stock is traded over the counter, the last sale price of the day; or, if (1) is unavailable, (2) the latest available price as reported by the principal national securities exchange on which the Sponsor Stock is traded or, if the Sponsor Stock is traded over the counter, the last bid price prior to the close of the New York Stock Exchange (generally 4:00 p.m. Eastern time).

**(f) "Code"**

"Code" shall mean the Internal Revenue Code of 1986, as it has been or may be amended from time to time.



**(g) "Confidential Information"**

"Confidential Information" shall mean (individually and collectively) proprietary information of the parties to this Trust Agreement, including but not limited to, their inventions, know how, trade secrets, business affairs, prospect lists, product designs, product plans, business strategies, finances, and fee structures.

**(h) "Declaration of Separate Fund"**

"Declaration of Separate Fund" shall mean the declaration of separate fund for each fund of the Group Trust.

**(i) "EDT"**

"EDT" shall mean electronic data transfer.

**(j) "Electronic Services"**

"Electronic Services" shall mean communications and services made available via electronic media.

**(k) "ERISA"**

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it has been or may be amended from time to time.

**(l) "External Account Information"**

"External Account Information" shall mean account information, including retirement savings account information, from third party websites or other websites maintained by Fidelity or its affiliates.

**(m) "FBSLLC"**

"FBSLLC" shall mean Fidelity Brokerage Services LLC.

**(n) "Fidelity Mutual Fund"**

"Fidelity Mutual Fund" shall mean any investment company advised by Fidelity Management & Research Company or any of its affiliates.



**(o) "FIFO"**

"FIFO" shall mean First In First Out.

**(p) "FIIOC"**

"FIIOC" shall mean Fidelity Investments Institutional Operations Company, Inc.

**(q) “Group Trust”**
“Group Trust” shall mean a group trust for qualified plans sponsored by the Trustee, Pyramis Global Advisers Trust Company (“PGATC”), or any of their affiliates.

**(r) “In Good Order”**
“In Good Order” shall mean in a state or condition acceptable to the Trustee in its sole discretion, which the Trustee determines is reasonably necessary for accurate execution of the intended transaction.

**(s) “Losses”**
“Losses” shall mean any and all loss, damage, penalty, liability, cost and expense, including without limitation, reasonable attorney’s fees and disbursements.

**(t) “Mutual Fund”**
“Mutual Fund” shall refer both to Fidelity Mutual Funds and Non-Fidelity Mutual Funds.

**(u) “Named Fiduciary”**
“Named Fiduciary” shall mean the Sponsor, a fiduciary who is named in the Plan, or who, pursuant to a procedure specified in the Plan, is identified as a fiduciary (i) by a person who is an employer or employee organization with respect to the Plan or (ii) by such an employer and such an employee organization acting jointly.

**(v) “NAV”**
“NAV” shall mean Net Asset Value.



**(w) “NFSLLC”**
“NFSLLC” shall mean National Financial Services LLC.

**(x) “Non-Fidelity Mutual Fund”**
“Non-Fidelity Mutual Fund” shall mean certain investment companies not advised by Fidelity Management & Research Company or any of its affiliates.

**(y) “NYSE”**
“NYSE” shall mean the New York Stock Exchange.

**(z) “Participant”**
“Participant” shall mean, with respect to the Plan, any employee, former employee, or alternate payee with an account under the Plan, which has not yet been fully distributed and/or forfeited, and shall include the designated beneficiary(ies) with respect to the account of any deceased employee, former employee, or alternate payee until such account has been fully distributed and/or forfeited.

**(a) “Participant Recordkeeping Reconciliation Period”**
“Participant Recordkeeping Reconciliation Period” shall mean the period beginning on the date of the initial transfer of assets to the Trust and ending on the date of the completion of the reconciliation of Participant records.

**(a) “Participation Agreement”**
“Participation Agreement” shall mean the participation agreement for the Group Trust.

**(cc) “PIN”**
“PIN” shall mean personal identification number.

**(m) “Plan”**
“Plan” shall mean the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan.

**(a) "Plan Administration Manual"**

"Plan Administration Manual" shall mean the document which sets forth the administrative and recordkeeping duties and procedures to be followed by the Trustee in administering the Plan, as such document may be amended and in effect from time to time.

**(a) "Plan Sponsor Webstation"**

"Plan Sponsor Webstation" shall mean the graphical windows based application that provides current Plan and Participant information including indicative data, account balances, activity and history.

**(a) "Real Estate Joint Venture"**

"Real Estate Joint Venture" shall mean those non-liquid Plan assets for which Amegy Bank National Association is both trustee and record keeper.

**(a) "Reporting Date"**

"Reporting Date" shall mean the last day of each fiscal quarter of the Plan and, if not on the last day of a fiscal quarter, the date as of which the Trustee resigns or is removed pursuant to Section 9 hereof or the date as of which this Agreement terminates pursuant to Section 11 hereof.

**(ii) "SEC"**

"SEC" shall mean the Securities and Exchange Commission.

**(a) "Specified Hierarchy"**

"Specified Hierarchy" shall mean the Stock Fund processing order set forth in Schedule "G", that gives precedence to distributions and withdrawals, and otherwise on a FIFO basis

**(a) "Sponsor"**

"Sponsor" shall mean Zions Bancorporation, a Utah corporation, or any successor to all or substantially all of its businesses which, by agreement, operation of law or otherwise, assumes the responsibility of the Sponsor under this Agreement.



**(c) "Sponsor Stock"**

"Sponsor Stock" shall mean the common stock of the Sponsor, or such other publicly traded stock of the Sponsor, or such other publicly-traded stock of the Sponsor's affiliates as meets the requirements of section 407(d)(5) of ERISA with respect to the Plan.

**(mm) "Stock Fund"**

"Stock Fund" shall mean the investment option consisting of Sponsor Stock or primarily of Sponsor Stock and cash or short term liquid investments.

**(a) "Trust"**

"Trust" shall mean the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan Trust, being the trust established by the Sponsor and the Trustee pursuant to the provisions of this Agreement.

**(a) "Trustee"**

"Trustee" shall mean Fidelity Management Trust Company, a Massachusetts trust company and any successor to all or substantially all of its trust business as described in Section 10(c). The term Trustee shall also include any successor trustee appointed pursuant to Section 10 to the extent such successor agrees to serve as Trustee under this Agreement.

**(a) "VRS"**

"VRS" shall mean Voice Response System.

**Section 2.** **Trust.**

The Sponsor hereby establishes the Trust with the Trustee. The Trust shall consist of money and other property acceptable to the Trustee in its sole discretion, as contributed by the Sponsor and transferred from a previous trustee under the Plan, such additional sums of money and other property acceptable to the Trustee in its sole discretion, as shall from time to time be delivered to the Trustee under the Plan, all investments made therewith and proceeds thereof, and all earnings and profits thereon, less the payments that are made by the Trustee as provided herein. The Trustee hereby accepts the Trust on the terms and conditions set forth in this Agreement. In accepting this Trust, the Trustee shall be accountable for the assets received by it, subject to the terms and conditions of this Agreement. The Trustee acknowledges its status as a directed trustee within the meaning of ERISA section 403(a)(1) and acknowledges its fiduciary responsibilities as a directed trustee.



**Section 3.** **Exclusive Benefit and Reversion of Sponsor Contributions.**

Except as provided under applicable law, no part of the Trust may be used for, or diverted to, purposes other than the exclusive benefit of the Participants in the Plan or their beneficiaries or the reasonable expenses of Plan administration. No assets of the Plan shall revert to the Sponsor, except as specifically permitted by the terms of the Plan.

**Section 4.** **Disbursements.**

The Trustee shall make disbursements as directed by the Participant or the Administrator, as applicable, in accordance with the provisions of the Plan and the Plan Administration Manual. Except as required by applicable law, the Trustee shall have no responsibility to ascertain any direction's compliance with the terms of the Plan (except to the extent the terms of the Plan have been communicated to the Trustee in writing) or of any applicable law or the direction's effect for tax purposes or otherwise; nor shall the Trustee have any responsibility to see to the application of any disbursement. The Trustee shall not be required to make any disbursement in excess of the net realizable value of the assets of the Trust at the time of the disbursement.

**Section 5.** **Investment of Trust.**

**(a) Selection of Investments or Investment Options.**

The Trustee shall have no responsibility for the selection of investments or investment options under the Trust and shall not render investment advice to any person in connection with the selection of investments or investment options.

**(b) Available Investments or Investment Options.**

The Named Fiduciary shall direct the Trustee as to the investments or investment options in which the Trust shall be invested during the Participant Recordkeeping Reconciliation Period and the investment options in which Participants may invest following the Participant Recordkeeping Reconciliation Period.



The Named Fiduciary may determine to offer as investment options only: (i) Mutual Funds, (ii) Sponsor Stock, (iii) notes evidencing loans to Participants in accordance with the terms of the Plan, and (iv) Collective investment funds maintained by the Trustee for qualified plans.

The Trustee shall be considered a fiduciary with investment discretion only with respect to Plan assets that are invested in collective investment funds maintained by the Trustee for qualified plans.

The investment options initially selected by the Named Fiduciary are identified on Schedule “C” attached hereto. Upon transfer to the Trust, Plan assets will be invested in the investment option(s) as directed by the Sponsor. The Named Fiduciary may add additional investment options with the consent of the Trustee to reflect administrative considerations, including but not limited to platform incapability, and upon mutual amendment of this Agreement, and the Schedules thereto, to reflect such additions.

**(c) Participant Direction.**

As authorized under the Plan, each Participant shall direct the Trustee in which investment option(s) to invest the assets in the Participant's individual accounts. Such directions may be made by Participants by use of the telephone exchange system, the internet or in such other manner as may be agreed upon from time to time by the Sponsor and the Trustee, and shall be processed in accordance with fund exchange provisions set forth in the Plan Administration Manual. The Trustee shall not be liable for any loss or expense that arises from a Participant’s exercise or non-exercise of rights under this Section 5 over the assets in the Participant’s accounts. In the event that the Trustee fails to receive a proper direction from the Participant, the assets shall be invested in the investment option set forth for such purpose on Schedule “C”, until the Trustee receives a proper direction.

**(d) Mutual Funds.**

On the effective date of this Agreement, in lieu of receiving a printed copy of the prospectus for each Fidelity Mutual Fund selected by the Named Fiduciary as a Plan investment option or short-term investment fund, the Named Fiduciary hereby consents to receiving such documents electronically. Named Fiduciary shall access each prospectus on the internet after receiving notice from the Trustee that a current version is available online at a website maintained by the Trustee or its affiliate. Trustee represents that on the effective date of this Agreement, a current version of each such prospectus is available at http://www.fidelity.com or such successor website as Trustee may notify Named Fiduciary of in writing from time to time. Named Fiduciary represents that it has accessed/will access each such prospectus at http://www.fidelity.com or such successor website as Trustee may notify Named Fiduciary of in writing from time to time as of the effective date of this Agreement. All transactions involving Non-Fidelity Mutual Funds shall be done in accordance with the Operational Guidelines attached hereto as Schedule “E”. Trust investments in Mutual Funds shall be subject to the following limitations:



**(i) Execution of Purchases and Sales.**

Purchases and sales of Mutual Funds (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation and wire transfer of funds (if applicable), necessary to accurately effect such transactions. Exchanges of Mutual Funds shall be processed in accordance with the fund exchange provisions set forth in the Plan Administration Manual.

**(ii) Voting.**

At the time of mailing of notice of each annual or special stockholders' meeting of any Mutual Fund, the Trustee shall send a copy of the notice and all proxy solicitation materials to each Participant who has shares of such Mutual Fund credited to the Participant's accounts, together with a voting direction form for return to the Trustee or its designee. The Participant shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares credited to the Participant's accounts (both vested and unvested). The Trustee shall vote the shares as directed by the Participant. The Trustee shall not vote shares for which it has received no directions from the Participant.

During the Participant Recordkeeping Reconciliation Period, the Named Fiduciary shall have the right to direct the Trustee as to the manner in which the Trustee is to vote the shares of the Mutual Funds in the Trust, including Mutual Fund shares held in any short-term investment fund for liquidity reserve. Following the Participant Recordkeeping Reconciliation Period, the Named Fiduciary shall continue to have the right to direct the Trustee as to the manner in which the Trustee is to vote any Mutual Funds shares held in a short-term investment fund for liquidity reserve. The Trustee shall not vote any Mutual Fund shares for which it has received no directions from the Named Fiduciary.

With respect to all rights other than the right to vote, the Trustee shall follow the directions of the Participant and if no such directions are received, the directions of the Named Fiduciary. The Trustee shall have no further duty to solicit directions from Participants or the Named Fiduciary.

**(e) Sponsor Stock.**

Trust investments in Sponsor Stock shall be made via the Stock Fund. Investments in the Stock Fund shall consist primarily of shares of Sponsor Stock. The Stock Fund shall also include cash or short-term liquid investments, in accordance with this paragraph, in amounts designed to satisfy daily Participant exchange or withdrawal requests. Such holdings will include Colchester Street Trust: Money Market Portfolio: Class I or such other Mutual Fund or commingled money market pool as agreed to in writing by the Sponsor



and Trustee. The Named Fiduciary shall, after consultation with the Trustee, establish and communicate to the Trustee in writing a target percentage for such short-term liquid investments. Subject to its ability to execute open-market trades in
Sponsor Stock or to otherwise trade with the Sponsor, the Trustee shall be responsible for ensuring that the short-term investments held in the Stock Fund fall within the agreed-upon range over time. Each Participant's proportional interest in the Stock Fund shall be measured in units of participation, rather than shares of Sponsor Stock. Such units shall represent a proportionate interest in all of the assets of the Stock Fund, which includes shares of Sponsor Stock, short-term investments and at times, receivables and payables (such as receivables and payables arising out of unsettled stock trades). The Trustee shall determine a NAV for each unit outstanding of the Stock Fund. Valuation of the Stock Fund shall be based upon: (a) the Closing Price or, if not available, (b) the price determined in good faith by the Trustee. The NAV shall be adjusted for gains or losses realized on sales of Sponsor Stock, appreciation or depreciation in the value of those shares owned, and interest on the short-term investments held by the Stock Fund, payables and receivables for pending stock trades, receivables for dividends not yet distributed, and payables for other expenses of the Stock Fund, including principal obligations, if any, and expenses that, pursuant to Sponsor direction, the Trustee accrues or pays from the Stock Fund. Dividends on shares of Sponsor Stock held in the Stock Fund shall be: (A) paid to Participants in cash; or (B) retained by the Trustee in the Stock Fund and used to allocate additional units of such fund to the accounts of Participants who have elected to have dividends reinvested.

In the absence of valid Participant direction to the contrary, the Named Fiduciary directs the Trustee to retain the dividend in the Stock Fund and use any dividend to allocate additional units of such fund to the accounts of affected Participants. The Trustee shall pay out or reinvest the dividend in accordance with Schedule "H", attached hereto.

**(i) Acquisition Limit.**

Pursuant to the Plan, the Trust may be invested in Sponsor Stock to the extent necessary to comply with investment directions in accordance with this Agreement. The Sponsor shall be responsible for providing specific direction on any acquisition limits required by the Plan or applicable law.

**(ii) Fiduciary Duty.**

(A) The Named Fiduciary shall continually monitor the suitability of acquiring and holding Sponsor Stock under the fiduciary duty rules of section 404(a) of ERISA (as modified by section 404(a)(2) of ERISA). The Trustee shall not be liable for any loss or expense which arises from the directions of the Named Fiduciary with respect to the acquisition and holding of Sponsor Stock, unless it is clear on their face that the actions to be taken under those directions would be prohibited by the foregoing fiduciary duty rules or would be contrary to the terms of this Agreement, except to the extent under section 403(a)(1) of ERISA.



**(iii) Purchases and Sales of Sponsor Stock.**

Unless otherwise directed by the Sponsor in writing pursuant to directions that the Trustee can administratively implement, the following provisions shall govern purchases and sales of Sponsor Stock.

(A) Open Market Purchases and Sales. Purchases and sales of Sponsor Stock shall be made on the open market in accordance with the Trustee's standard trading guidelines, as they may be amended by the Trustee from time to time, as necessary to honor exchange and withdrawal activity and to maintain the target cash percentage and drift allowance for the Stock Fund, provided that:

(1) If the Trustee is unable to purchase or sell the total number of shares required to be purchased or sold on such day as a result of market conditions; or

(2) If the Trustee is prohibited by the SEC, the NYSE or principal exchange on which the Sponsor Stock is traded, or any other regulatory body from purchasing or selling any or all of the shares required to be purchased or sold on such day,

then, under the circumstances set forth in either (1) or (2), the Trustee shall purchase or sell such shares as soon thereafter as administratively feasible.

(B) Purchases and Sales from or to Sponsor. If directed by the Sponsor in writing prior to the trading date, the Trustee may purchase or sell Sponsor Stock from or to the Sponsor if the purchase or sale is for adequate consideration (within the meaning of section 3(18) of ERISA) and no commission is charged. If Sponsor contributions (employer) or contributions made by the Sponsor on behalf of the Participants (employee) under the Plan are to be invested in Sponsor Stock, the Sponsor may transfer Sponsor Stock in lieu of cash to the Trust.

(C) Use of Brokers. The Named Fiduciary hereby directs the Trustee to use such non-affiliated brokers as the Trustee deems appropriate to provide brokerage services in connection with any purchase or sale of Sponsor Stock in accordance with directions from Participants. Commissions on the sale of Sponsor Stock shall be charged back to the Stock Fund.



**(iv) Execution of Purchases and Sales of Units.**

Unless otherwise directed in writing pursuant to directions that the Trustee can administratively implement, purchases and sales of units shall be made as follows:

(A) Subject to subparagraphs (B) and (C) below, purchases and sales of units in the Stock Fund (other than for exchanges) shall be made on the date on which the Trustee receives from the Administrator In Good Order all information, documentation, and wire transfers of funds (if applicable), necessary to accurately effect such transactions. Exchange transaction requests received before the close of the market (generally 4:00 p.m. (ET)) on any Business Day will receive that day's trade date if Available Liquidity is sufficient to honor the trade after Specified Hierarchy rules are applied. Requests received after the close of the market on any Business Day (or on any day other than a Business Day) will be processed on a next Business Day basis, subject to Available Liquidity for such day after application of Specified Hierarchy rules.

(B) Aggregate sales of units in the Stock Fund on any day shall be limited to the Stock Fund's Available Liquidity for that day. In the event that the requested sales exceed the Available Liquidity, then transactions shall be processed giving precedence to distributions, loans and withdrawals, and otherwise on a FIFO basis, as provided in Schedule "G"(the "Specified Hierarchy"). So long as the Stock Fund is open for such transactions, sales of units that are requested but not processed on a given day due to insufficient Available Liquidity shall be suspended until Available Liquidity is sufficient to honor such transactions in accordance with the Specified Hierarchy.

(C) The Trustee shall close the Stock Fund to sales or purchases of units, as applicable, on any date on which trading in the Sponsor Stock has been suspended or substantial purchase or sale orders are outstanding and cannot be executed.

**(v) Securities Law Reports.**

The Named Fiduciary shall be responsible for filing all reports required under Federal or state securities laws with respect to the Trust's ownership of Sponsor Stock, including, without limitation, any reports required under section 13 or 16 of the Securities Exchange Act of 1934, and shall immediately notify the Trustee in writing of any requirement to stop purchases or sales of Sponsor Stock pending the filing of any report. The Trustee shall provide to the Named Fiduciary such information on the Trust's ownership of Sponsor Stock as the Named Fiduciary may reasonably request in order to comply with Federal or state securities laws.



**(vi) Voting and Tender Offers.**

Notwithstanding any other provision of this Agreement the provisions of this Section shall govern the voting and tendering of Sponsor Stock. The Sponsor shall pay for all printing, mailing, tabulation and other costs associated with the voting and tendering of Sponsor Stock. The Trustee, after consultation with the Sponsor, shall promptly and timely prepare the necessary documents associated with the voting and tendering of Sponsor Stock.

(A) Voting.

(1) When the issuer of Sponsor Stock prepares for any annual or special meeting, the Sponsor shall notify the Trustee at least thirty (30) days in advance of the intended record date and shall cause a copy of all proxy solicitation materials to be sent to the Trustee. If requested by the Trustee, the Sponsor shall certify to the Trustee that the aforementioned materials represent the same information that is distributed to shareholders of Sponsor Stock. Based on these materials the Trustee shall prepare a voting instruction form and shall provide a copy of all proxy solicitation materials to be sent to each Participant with an interest in Sponsor Stock held in the Trust, together with the foregoing voting instruction form to be returned to the Trustee or its designee. The form shall show the proportional interest in the number of full and fractional shares of Sponsor Stock credited to the Participant's accounts held in the Stock Fund.

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee as to the manner in which the Trustee is to vote (including not to vote) that number of shares of Sponsor

Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the voting of Sponsor Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. Upon its receipt of the directions, the Trustee shall vote the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund as directed by the Participant. The Plan Sponsor may appoint an independent fiduciary to direct the Trustee regarding how to vote shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant. The Plan Sponsor shall advise the Trustee in writing of the identity of the independent fiduciary if one has been appointed. The Trustee shall have no affirmative obligation to seek direction from the independent fiduciary. Except as otherwise required by law, absent timely direction from an independent fiduciary identified by the Sponsor, the Trustee shall not vote shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant.



(3) Except as otherwise required by law, the Trustee shall vote that number of shares of Sponsor Stock not credited to Participants' accounts, if any, in the same proportion on each issue as it votes those shares credited to Participants' accounts for which it received voting directions from Participants.

(B) Tender Offers.

(1) Upon commencement of a tender offer for any securities held in the Trust that are Sponsor Stock, the Sponsor shall timely notify the Trustee in advance of the intended tender date and shall cause a copy of all materials to be sent to the Trustee. The Sponsor shall certify to the Trustee that the aforementioned materials represent the same information distributed to shareholders of Sponsor Stock. Based on these materials and after consultation with the Sponsor the Trustee shall prepare a tender instruction form and shall provide a copy of all tender materials to be sent to each Participant with an interest in the Stock Fund, together with the foregoing tender instruction form, to be returned to the Trustee or its designee. The tender instruction form shall show the number of full and fractional shares of Sponsor Stock that reflect the Participants proportional interest in the Stock Fund (both vested and unvested).

(2) Each Participant with an interest in the Stock Fund shall have the right to direct the Trustee to tender or not to tender some or all of the shares of Sponsor Stock reflecting such Participant's proportional interest in the Stock Fund (both vested and unvested). Directions from a Participant to the Trustee concerning the tender of Sponsor Stock shall be communicated in writing, or by such other means as is agreed upon by the Trustee and the Sponsor. These directions shall be held in confidence by the Trustee and shall not be divulged to the Sponsor, or any officer or employee thereof, or any other person except to the extent that the consequences of such directions are reflected in reports regularly communicated to any such persons in the ordinary course of the performance of the Trustee's services hereunder. The Trustee shall tender or not tender shares of Sponsor Stock as directed by the Participant. Except as otherwise required by law, the Trustee shall not tender shares of Sponsor Stock reflecting a Participant's proportional interest in the Stock Fund for which it has received no direction from the Participant.

(3) Except as otherwise required by law, the Trustee shall tender that number of shares of Sponsor Stock not credited to Participants' accounts, if any, in the same proportion as the total number of shares of Sponsor Stock credited to Participants' accounts for which it has received instructions from Participants.



(4) A Participant who has directed the Trustee to tender some or all of the shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund may, at any time prior to the tender offer withdrawal date, direct the Trustee to withdraw some or all of the tendered shares reflecting the Participant's proportional interest, and the Trustee shall withdraw the directed number of shares from the tender offer prior to the tender offer withdrawal

deadline. Prior to the withdrawal deadline, if any shares of Sponsor Stock not credited to Participants' accounts have been tendered, the Trustee shall redetermine the number of shares of Sponsor Stock that would be tendered under Section 5(e)(vi)(B)(3) if the date of the foregoing withdrawal were the date of determination, and withdraw from the tender offer the number of
shares of Sponsor Stock not credited to Participants' accounts necessary to reduce the amount of tendered Sponsor Stock not credited to Participants' accounts to the amount so redetermined. A Participant shall not be limited as to the number of directions to tender or withdraw that the Participant may give to the Trustee prior to the deadline.

(5) A direction by a Participant to the Trustee to tender shares of Sponsor Stock reflecting the Participant's proportional interest in the Stock Fund shall not be considered a written election under the Plan by the Participant to withdraw, or have distributed, any or all of his withdrawable shares. The Trustee shall credit to each proportional interest of the Participant from which the tendered shares were taken the proceeds received by the Trustee in exchange for the shares of Sponsor Stock tendered from that interest. Pending receipt of directions (through the Administrator) from the Participant or the Named Fiduciary, as provided in the Plan, as to which of the remaining investment options the proceeds should be invested in, the Trustee shall invest the proceeds in the investment option described in Schedule "C".

**(vii) General.**
With respect to all shareholder rights other than the right to vote, the right to tender, and the right to withdraw shares previously tendered, in the case of Sponsor Stock, the Trustee shall follow the procedures set forth in subsection (A), above.

**(viii) Conversion.**
All provisions in this Section 5(e) shall also apply to any securities received as a result of a conversion of Sponsor Stock.



**(f) Participant Loans.**
Loans shall be processed and administered in accordance with the Plan Administration Manual. The Administrator shall act as the Trustee's agent with regard to Loans and as such shall (i) separately account for repayments of such loans and clearly identify such assets as Plan assets; and (ii) collect and remit all principal and interest payments to the Trustee. To the extent that the Participant is required to submit loan documentation to the Administrator for approval prior to the issuance of a loan, the Administrator shall also be responsible for (i) holding physical custody of and keeping safe the notes and other loan documents; and (ii) canceling and surrendering the notes and other loan documentation when a loan has been paid in full.

To facilitate recordkeeping, the Trustee may destroy the original of any proceeds check (including the promissory note) made in connection with a loan to a Participant under the Plan, provided that the Trustee or its agent first creates a duplicate by a photographic or optical scanning or other process yielding a reasonable facsimile of the proceeds check (including the promissory note) and the Participant's signature thereon, which duplicate may be reduced or enlarged in size from the actual size of the original.

**(g) Stable Value Investments.**
Stable value investments in the Trust shall be subject to the following limitations:

**(i) Collective Investment Funds Managed by the Trustee.**
To the extent that the Named Fiduciary selects as an investment option the Managed Income Portfolio II of the Group Trust, the Sponsor hereby (A) acknowledges that it has received from the Trustee a copy of the Group Trust, the Participation Agreement and the Declaration of Separate Fund for the Managed Income Portfolio II, and (B) adopts the terms of the Group Trust, the Participation Agreement and the Declaration of Separate Fund as part of this Agreement.

**(h) Trustee Powers.**
The Trustee shall have the following powers and authority:

(i) Subject to paragraphs (b) and (c) of this Section 5, to sell, exchange, convey, transfer, or otherwise dispose of any property held in the Trust, by private contract or at public auction. No person dealing with the Trustee

shall be bound to see to the application of the purchase money or other property delivered to the Trustee or to inquire into the validity, expediency, or propriety of any such sale or other disposition.



(ii) To cause any securities or other property held as part of the Trust to be registered in the Trustee's own name, in the name of one or more of its nominees, or in the Trustee's account with the Depository Trust Company of New York and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust.

(iii) To keep that portion of the Trust in cash or cash balances as the Named Fiduciary or Administrator may, from time to time, deem to be in the best interest of the Trust.

(iv) To make, execute, acknowledge, and deliver any and all documents of transfer or conveyance and to carry out the powers herein granted.

(v) To the extent a unitized option is included in the Plan, to borrow funds from a bank not affiliated with the Trustee in order to provide sufficient liquidity to process Plan transactions in a timely fashion; provided that the cost of such borrowing shall be allocated in a reasonable fashion to the investment fund(s) in need of liquidity. The Sponsor acknowledges that it has received the disclosure on the Trustee's line of credit program and credit allocation policy and a copy of the text of Prohibited Transaction Exemption 2002-55 prior to executing this Agreement if applicable.

(vi) To settle, compromise, or submit to arbitration any claims, debts, or damages due to or arising from the Trust; to commence or defend suits or legal or administrative proceedings; to represent the Trust in all suits and legal and administrative hearings; and to pay all reasonable expenses arising from any such action, from the Trust if not paid by the Sponsor.

(vii) To employ legal, accounting, clerical, and other assistance as may be required in carrying out the provisions of this Agreement and to pay their reasonable expenses and compensation from the Trust if not paid by the Sponsor.

(viii) To invest all or any part of the assets of the Trust in investment contracts and short term investments (including interest bearing accounts with the Trustee or money market mutual funds advised by affiliates of the Trustee) and in any collective investment trust or group trust, including any collective investment trust or group trust maintained by the Trustee, which then provides for the pooling of the assets of plans described in Section 401(a) and exempt from tax under Section 501(a) of the Code, or any comparable provisions of any future legislation that amends, supplements, or supersedes those sections, provided that such collective investment trust or group trust is exempt from tax under the Code or regulations or rulings issued by the Internal Revenue Service. The provisions of the document governing such collective investment trusts or group trusts, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of this Trust Agreement.



(ix) To do all other acts, although not specifically mentioned herein, as the Trustee may deem necessary to carry out any of the foregoing powers and the purposes of the Trust.

**Section 6. Recordkeeping and Administrative Services to Be Performed.**

**(a) General.**

The Trustee shall perform those recordkeeping and administrative functions described in Schedule "A" attached hereto. These recordkeeping and administrative functions shall be performed within the framework of the Administrator's written directions regarding the Plan's provisions, guidelines and interpretations.

**(b) Accounts.**

The Trustee shall keep accurate accounts of all investments, receipts, disbursements, and other transactions hereunder, and shall report the value of the assets held in the Trust as of each Reporting Date. Within thirty (30) days following each Reporting Date or within sixty (60) days in the case of a Reporting Date caused by the resignation or removal of the Trustee, or the termination of this Agreement, the Trustee shall file with the Administrator a written account setting forth all investments, receipts, disbursements, and other transactions effected by the Trustee between the Reporting Date and the prior Reporting Date, and setting forth the value of the Trust as of the Reporting Date. The Administrator shall use all reasonable efforts to bring to the Trustee's attention, as soon as possible, any concerns or objections it may have relating to the accounts. Notwithstanding the previous sentence, and except as otherwise required under ERISA, upon the expiration of six (6) months from the date of filing such account or from the filing of the Form 5500, the Trustee shall have no liability or further accountability to the Administrator with respect to the propriety of its acts or transactions shown in such account (or any Participant-level report provided to a Participant), except with respect to such acts or transactions as to which a written objection shall have been filed with the Trustee within such six (6) month period.

**(c) Inspection and Audit.**

Prior to the termination of this Agreement, all records generated by the Trustee in accordance with paragraphs (a) and (b), above, shall be open to inspection and audit by the Administrator or any persons designated by the Administrator, during the Trustee's regular business hours. Upon the resignation or removal of the Trustee or the termination of this Agreement, the Trustee shall provide to the Sponsor, at no expense to the Sponsor, in the format regularly provided to the Sponsor, a statement of each Participant's accounts as of the resignation, removal, or termination, and the Trustee shall provide to the Sponsor or the Plan's new recordkeeper such further records as may be reasonably requested, at the Sponsor's expense.



**(d) Notice of Plan Amendment.**

The Trustee's provision of the recordkeeping and administrative services set forth in this Section 6 shall be conditioned on the Sponsor delivering to the Trustee a copy of any amendment to the Plan as soon as administratively feasible following the amendment's adoption and on the Administrator providing the Trustee, on a timely basis, with all the information the Trustee deems necessary for it to perform the recordkeeping and administrative services set forth herein, and such other information as the Trustee may reasonably request.

**(e) Returns, Reports and Information.**

Except as set forth on Schedule "A", the Administrator shall be responsible for the preparation and filing of all returns, reports, and information required of the Trust or Plan by law. The Trustee shall provide the Administrator with such information as the Administrator may reasonably request to make these filings. The Administrator shall also be responsible for making any disclosures to Participants required by law, except such disclosure as may be required under federal or state truth-in-lending laws with regard to Participant loans, which shall be provided by the Trustee or the Administrator, as applicable.

**Section 7. Compensation and Expenses.**

Sponsor shall pay to Trustee, within thirty (30) days of receipt of the Trustee's bill, the fees for services in accordance with Schedule "B". Fees for services are specifically outlined in Schedule "B" and are based on all of the assumptions identified therein. The Trustee shall maintain its fees for three years; provided, however, in the event that the Plan characteristics referenced in the assumptions outlined in Schedule "B" change significantly by either falling below or exceeding current or projected levels, such fees may be subject to revision, upon mutual renegotiation. To reflect increased operating costs, Trustee may once each calendar year, but not prior to July 3, 2009, amend Schedule "B" without the Sponsor's consent upon six months prior notice to the Sponsor.

All reasonable expenses of plan administration as shown on Schedule "B" attached hereto, as amended from time to time, shall be a charge against and paid from the appropriate Participants' accounts, except to the extent such amounts are paid by the Sponsor in a timely manner.



All expenses of the Trustee relating directly to the acquisition and disposition of investments constituting part of the Trust, all taxes of any kind whatsoever that may be levied or assessed under existing or future laws upon or in respect of the Trust or the income thereof, and any other reasonable expenses of Plan administration as determined and directed by the Administrator, shall be a charge against and paid from the appropriate Participants' accounts.

**Section 8. Directions and Indemnification.**

**(a) Identity of Administrator and Named Fiduciary.**

The Trustee shall be fully protected in relying on the fact that the Named Fiduciary and the Administrator under the Plan are the individuals or entities named as such above, or such other individuals or persons as the Sponsor may notify the Trustee in writing.

**(b) Directions from Administrator.**

Whenever the Administrator provides a direction to the Trustee, the Trustee shall not be liable for any loss or expense arising from the direction (i) if the direction is contained in a writing provided by any individual whose name has been submitted (and not withdrawn) in writing to the Trustee by the Administrator, unless it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of this Agreement. The Trustee may rely without further duty of inquiry on the authority of any such individual to provide direction to the Trustee on behalf of the Administrator.

For purposes of this Section, such direction may also be made via EDT, facsimile or such other secure electronic means in accordance with procedures agreed to by the Administrator and the Trustee and, in any such case, the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Administrator.

**(c) Directions from Named Fiduciary.**

Whenever the Named Fiduciary or Sponsor provides a direction to the Trustee, the Trustee shall not be liable for any loss or expense arising from the direction (i) if the direction is contained in a writing provided by any individual whose name has been submitted (and not withdrawn) in writing to the Trustee by the Named Fiduciary, unless it is clear on the direction's face that the actions to be taken under the direction would be prohibited by the fiduciary duty rules of Section 404(a) of ERISA or would be contrary to the terms of this Agreement, the Plan, or section 403(a)(1) of ERISA. Except as per section 403(a)(1) of ERISA, the Trustee may rely without further duty of inquiry on the authority of any such individual to provide direction to the Trustee on behalf of the Named Fiduciary.

For purposes of this Section, such direction may also be made via EDT, facsimile, or such other secure electronic means in accordance with procedures agreed to by the Named Fiduciary and the Trustee and, in any such case, the Trustee shall be fully protected in relying on such direction as if it were a direction made in writing by the Named Fiduciary.

**(d) Co-Fiduciary Liability.**

In any other case, the Trustee shall not be liable for any loss or expense arising from any act or omission of another fiduciary under the Plan except as provided in section 405(a) of ERISA.

**(e) Indemnification.**

The Sponsor shall indemnify the Trustee against, and hold the Trustee harmless from, Losses, that may be incurred by, imposed upon, or asserted against the Trustee by reason of any claim, regulatory proceeding, or litigation arising from any act done or omitted to be done by any individual or person with respect to the Plan or Trust, excepting only any and all Losses arising solely from the Trustee's negligence, bad faith, or material breach.

The Trustee shall also indemnify the Sponsor against, and hold the Sponsor harmless from, any and all Losses that may be incurred by, imposed upon, or asserted against the Sponsor by reason of any claim, regulatory proceeding, or litigation arising from Trustee's negligence, bad faith, or material breach.

The Trustee shall also indemnify the Sponsor against and hold the Sponsor harmless from any and all such Losses that may be incurred by, imposed upon, or asserted against the Sponsor solely as a result of i) any defects in the investment methodology embodied in the target asset allocation or model portfolio provided through Portfolio Review, except to the extent that any such loss, damage, penalty, liability, cost or expense arises from information provided by the Participant, the Sponsor or third parties; or ii) any prohibited transactions resulting from the provision of Portfolio Review by the Trustee.

For purpose of this Section 8(e), any reference to the Sponsor and the Trustee shall be deemed to include their respective directors, employees, officers, agents, attorneys, affiliates, subsidiaries, subcontractors, carriers and vendors.

**(f) Survival.**

The provisions of this Section 8 shall survive the termination of this Agreement.



**Section 9. Resignation or Removal of Trustee and Termination.**

**(a) Resignation and Removal.**

The Trustee may resign at any time in accordance with the notice provisions set forth below. The Sponsor may remove the Trustee at any time in accordance with the notice provisions set forth below.

**(b) Termination.**

This Agreement may be terminated in full, or with respect to only a portion of the Plan (i.e., a "partial deconversion") at any time by the Sponsor upon prior written notice to the Trustee in accordance with the notice provisions set forth below.

**(c) Notice Period.**
In the event either party desires to terminate this Agreement or any Services hereunder, the party shall provide at least one-hundred and eighty (180) days prior written notice of the termination date to the other party; provided, however, that the receiving party may agree, in writing, to a shorter notice period.

**(d) Transition Assistance.**
In the event of termination of this Agreement, if requested by Sponsor, the Trustee shall assist the Sponsor in developing a plan for the orderly transition of the Plan data, cash and assets then constituting the Trust and services provided by the Trustee hereunder to the Sponsor or its designee. The Trustee shall provide such assistance for a period not extending beyond sixty (60) days from the termination date of this Agreement. The Trustee shall provide to the Sponsor, or to any person designated by the Sponsor, at a mutually agreeable time, one file of the Plan data prepared and maintained by the Trustee in the ordinary course of business, in the Trustee's format. The Trustee may provide other or additional transition assistance as mutually determined for additional fees, which shall be due and payable by the Sponsor prior to any termination of this Agreement.

**(e) Failure to Appoint Successor.**
If, by the termination date, the Sponsor has not notified the Trustee in writing as to the individual or entity to which the assets and cash are to be transferred and delivered, the Trustee may bring an appropriate action or proceeding for leave to deposit the assets and cash in a court of competent jurisdiction. The Trustee shall be reimbursed by the Sponsor for all costs and expenses of the action or proceeding including, without limitation, reasonable attorneys' fees and disbursements.



**Section 10. Successor Trustee.**

**(a) Appointment.**
If the office of Trustee becomes vacant for any reason, the Sponsor may in writing appoint a successor trustee under this Agreement. The successor trustee shall have all of the rights, powers, privileges, obligations, duties, liabilities, and immunities granted to the Trustee under this Agreement. The successor trustee and predecessor trustee shall not be liable for the acts or omissions of the other with respect to the Trust.

**(b) Acceptance.**
As of the date the successor trustee accepts its appointment under this Agreement, title to and possession of the Trust assets shall immediately vest in the successor trustee without any further action on the part of the predecessor trustee, except as may be required to evidence such transition. The predecessor trustee shall execute all instruments and do all acts that may be reasonably necessary and requested in writing by the Sponsor or the successor trustee to vest title to all Trust assets in the successor trustee or to deliver all Trust assets to the successor trustee.

**(c) Corporate Action.**
Any successor to the Trustee or successor trustee, either through sale or transfer of the business or trust department of the Trustee or successor trustee, or through reorganization, consolidation, or merger, or any similar transaction of either the Trustee or successor trustee, shall, upon consummation of the transaction, become the successor trustee under this Agreement.

**Section 11. Resignation, Removal, and Termination Notices.**

All notices of resignation, removal, or termination under this Agreement must be in writing and mailed to the party to which the notice is being given by certified or registered mail, return receipt requested, to the Sponsor c/o Corporate Benefits Director, One South Main Street, Suite 600, Salt Lake City, Utah, 84111, and to the Trustee c/o FESCo Business Compliance, Contracts Administration, 82 Devonshire Street, MM3H, Boston, Massachusetts 02109, or to such other addresses as the parties have notified each other of in the foregoing manner.



**Section 12. Duration.**

This Trust shall continue in effect without limit as to time, subject, however, to the provisions of this Agreement relating to amendment, modification, and

termination thereof.

**Section 13. Amendment or Modification.**

This Agreement may be amended or modified at any time and from time to time only by an instrument executed by both the Sponsor and the Trustee. The individuals authorized to sign such instrument shall be those authorized by the Sponsor.

**Section 14. Electronic Services.**

(a) The Trustee may provide communications and Electronic Services via electronic media, including, but not limited to NetBenefits, eWorkplace and Fidelity Plan Sponsor WebStation. The Sponsor agrees to use such Electronic Services only in the course of reasonable administration of or participation in the Plan and to keep confidential and not alter, publish, copy, broadcast, retransmit, reproduce, frame-in, link to, commercially exploit or otherwise redisseminate the Electronic Services, any content associated therewith, or any portion thereof (including, without limitation, any trademarks and service marks associated therewith), without the written consent of the Trustee. Notwithstanding the foregoing, the Trustee acknowledges that certain Electronic Services may, by their nature, be intended for non-commercial, personal use by Participants or their beneficiaries, with respect to their participation in the Plan, or for their other retirement or employee benefit planning purposes, and certain content may be intended or permitted to be modified by the Sponsor in connection with the administration of the Plan. In such cases, the Trustee will notify the Sponsor of such fact, and any requirements or guidelines associated with such usage or modification no later than the time of initial delivery of such Electronic Services. To the extent permission is granted to make Electronic Services available to administrative personnel designated by the Sponsor, it shall be the responsibility of the Sponsor to keep the Trustee informed as to which of the Sponsor personnel are authorized to have such access. Except to the extent otherwise specifically agreed by the parties, the Trustee reserves the right, upon notice when reasonably feasible, to modify or discontinue Electronic Services, or any portion thereof, at any time.



(b) Without limiting the responsibilities of the Trustee or the rights of the Sponsor stated elsewhere in this Agreement, Electronic Services shall be provided to the Sponsor without acceptance of legal liability related to or arising out of the electronic nature of the delivery or provision of such Services, provided, however, the Trustee shall defend, indemnify and hold the Sponsor harmless from any claims brought by third parties based upon infringement of any patent, copyright, trademark, trade secret or other proprietary right in connection with the Electronic Services furnished under the Agreement. The Sponsor

shall promptly notify the Trustee in writing of any such claim. The Sponsor shall give reasonable assistance to the Trustee in defense of any claim, at the Trustee's expense. The Trustee shall have sole control of the defense of any such claim. To the extent that any Electronic Services utilize Internet services to transport data or communications, the Trustee will take, and the Sponsor agrees to follow, reasonable security precautions. However, the Trustee disclaims any liability for interception of any such data or communications. The Trustee reserves the right not to accept data or communications transmitted electronically or via electronic media by the Sponsor or a third party if it determines that the method of delivery does not provide adequate data security, or if it is not administratively feasible for the Trustee to use the data security provided. The Trustee shall not be responsible for, and makes no warranties regarding access, speed or availability of Internet or network services, or any other service required for electronic communication, nor does the Trustee make any warranties, express or implied, and specifically disclaims all warranties of merchantability, fitness for a particular purpose, or non-infringement. The Trustee shall not be responsible for any loss or damage related to or resulting from any changes or modifications to the Electronic Services made in violation of this Agreement.

(c) The Sponsor acknowledges that certain web sites through which the Electronic Services are accessed may be protected by passwords or require a login and the Sponsor agrees that neither the Sponsor nor, where applicable, Participants, will obtain or attempt to obtain unauthorized access to such Services or to any other protected materials or information, through any means not intentionally made available by the Trustee for the specific use of the Sponsor. To the extent that a PIN is
necessary for access to the Electronic Services, the Sponsor and/or its Participants, as the case may be, are solely responsible for all activities that occur in connection with such PINs.

(d) The Trustee will provide to Participants the FullViewSM service via NetBenefits, through which Participants may elect to consolidate and manage any retirement account information available through NetBenefits as well as External Account Information. To the extent not provided by the Trustee or its affiliates, the data aggregation service will be provided by Yodlee.com, Inc. or such other independent provider as the Trustee may select, pursuant to a contract that requires the provider to take appropriate



steps to protect the privacy and confidentiality of information furnished by users of the service. The Sponsor acknowledges that Participants who elect to use FullViewSM must provide passwords and PINs to the provider of data aggregation services. The Trustee will use External Account Information to furnish and support FullViewSM or other services provided pursuant to this Agreement, and as otherwise directed by the Participant. The Trustee will not furnish External Account Information to any third party, except pursuant to subpoena or other applicable law. The Sponsor agrees that the information accumulated through FullViewSM shall not be made available to the Sponsor, provided, however, that the Trustee shall provide to the Sponsor, upon request, aggregate usage data that contains no personally identifiable information.

(e) The Trustee will use best efforts to maintain security and confidentiality of all data retained on electronic systems.

**Section 15. Assignment.**

This Agreement, and any of its rights and obligations hereunder, may not be assigned by any party without the prior written consent of the other party(ies), and such consent may be withheld in any party's sole discretion. Notwithstanding the foregoing, Trustee may assign this Agreement in whole or in part, and any of its rights and obligations hereunder, to a subsidiary or affiliate of Trustee without consent of the Sponsor. All provisions in this Agreement shall extend to and be binding upon the parties hereto and their respective successors and permitted assigns.

**Section 16.** **Force Majeure.**

No party shall be deemed in default of this Agreement to the extent that any delay or failure in performance of its obligation(s) results, without its fault or negligence, from any cause beyond its reasonable control, such as acts of God, acts of civil or military authority, acts of terrorism, whether actual or threatened, quarantines, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, power outages or strikes. This clause shall not excuse any of the parties to the Agreement from any liability which results from failure to have in place reasonable disaster recovery and safeguarding plans adequate for protection of all data each of the parties to the Agreement are responsible for maintaining for the Plan.



**Section 17.** **Confidentiality.**

Both parties to this Agreement recognize that in the course of implementing and providing the services described herein, each party may disclose to the other Confidential Information. All such Confidential Information, individually and collectively, and other proprietary information disclosed by either party shall remain the sole property of the party disclosing the same, and the receiving party shall have no interest or rights with respect thereto if so designated by the disclosing party to the receiving party. Each party agrees to maintain all such Confidential Information in trust and confidence to the same extent that it protects its own proprietary information, and not to disclose such Confidential Information to any third party without the written consent of the other party. Each party further agrees to take all reasonable precautions to prevent any unauthorized disclosure of Confidential Information. In addition, each party agrees not to disclose or make public to anyone, in any manner, the existence or the terms of this Agreement, except as required by law, without the prior written consent of the other party. Notwithstanding the foregoing, Trustee may use Sponsor's name with Sponsor's prior consent in a general list of its customers, including any such list compiled for Fidelity Investment's annual report to shareholders, with Sponsor's prior consent

**Section 18.** **General.**

**(a) Performance by Trustee, its Agents or Affiliates.**
The Sponsor acknowledges and authorizes that the services to be provided under this Agreement shall be provided by the Trustee, its agents or affiliates, including but not limited to FIIOC, FBSLLC, or the successor to any of them, and that certain of such services may be provided pursuant to one or more separate contractual agreements or relationships.

**(b) Entire Agreement.**
This Agreement, together with the Schedules referenced herein, contains all of the terms agreed upon between the parties with respect to the subject matter hereof. This Agreement supersedes any and all other agreements, written or oral, made by the parties with respect to the services.

**(c) Waiver.**
No waiver by either party of any failure or refusal to comply with an obligation hereunder shall be deemed a waiver of any other obligation hereunder or any subsequent failure or refusal to comply with any other obligation hereunder.

**(d) Successors and Assigns.**

The stipulations in this Agreement shall inure to the benefit of, and shall bind, the successors and assigns of the respective parties.

**(e) Partial Invalidity.**

If any term or provision of this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

**(f) Section Headings.**

The headings of the various sections and subsections of this Agreement have been inserted only for the purposes of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, explain, expand or restrict any of the provisions of this Agreement.

**(g) Communications.**

**(g) Content**

The Sponsor shall provide all information requested by the Trustee to help it prepare Participant communications necessary to allow the Trustee to meet its obligations under this Agreement. The Sponsor represents that Participant communications prepared by the Sponsor will include any information required by applicable regulations to afford Plan fiduciaries protection under ERISA §404(c). The Trustee shall have no responsibility or liability for any Losses resulting from the use of information provided by or from communications prepared by the Sponsor.

**(ii) Delivery**

In the event that the Sponsor retains any responsibility for delivering Participant communications to some or all Participants and beneficiaries, the Sponsor agrees to furnish the communications to such Participants in a timely manner as determined under applicable law (including ERISA §404(c) and the Sarbanes-Oxley Act requirements for “blackout” notices). The Sponsor also represents that such communications will be delivered to such Participants and beneficiaries in a manner permitted by applicable law, including electronic delivery that is consistent with applicable regulations regarding electronic transmission (for example, DOL Regulation §2520.104b-1). The Trustee and its affiliates shall have no responsibility or liability for any Losses resulting from the failure of the Sponsor to furnish any such communications in a manner which is timely and consistent with applicable law.



The provisions of this Agreement shall apply to all information provided and all Participant communications prepared and delivered by the Sponsor or the Trustee during the implementation period prior to the execution date of this Agreement and throughout the term set forth in this Agreement.

**(h.) Survival.**

Trustee's and Sponsor's respective obligations under this Agreement, which by their nature would continue beyond the termination of this Agreement, including but not limited to those contained in Sections 6(c), 8(e), 17, and 19, shall survive any termination of the Agreement.

**(i.) Merger.**

The Trustee possesses the specific authority to, at the direction of the Sponsor, execute any instrument necessary to effect Plan asset transfers with trustees of other trusts exempt from tax under Code §501(a) and which are part of retirement plans described in Code §401(a) whether or not sponsored by the Sponsor and to accept the direct transfer of Plan assets, or to transfer Plan assets, as a party to any such agreement, provided that the Trustee shall not be obligated to receive any direct transfer unless prior thereto or coincident therewith, as the Trustee may specify to the Sponsor in writing, the Trustee has received such reconciliation, allocation, investment or other information concerning, or such direction, contribution or representation with respect to, the contribution or transfer or the source thereof as the Trustee may require.

This Trust may be merged or consolidated with, or its assets or liabilities may be transferred to, any other trust only if the benefits which would be received by each Participant in the Plan, in the event of a termination of the Plan immediately after such merger, consolidation or transfer, are at least equal to the benefits the Participant would have received if the Plan had terminated immediately before the merger, consolidation or transfer.

The Trustee may accept a direct transfer of assets on behalf of an individual Participant only if first authorized by the Plan Administrator. In the event of a direct transfer the Trustee shall hold, administer and distribute transferred assets as a part of the Trust Fund for the benefit of the Participant on whose behalf the Trustee has accepted the transfer in a manner sufficient to reflect the value of the transferred assets.



**Section 19. Use of Data.**

In order to fulfill its obligations under this Agreement, the Trustee may receive personal data, including but not limited to, compensation, benefits, tax, marital/family status and other similar information, about Participants ("Personal Data"). With respect to Personal Data it receives, the Trustee agrees to (i) safeguard Personal Data in accordance with its privacy policy, and (ii) exercise the same standard of care in safeguarding such Personal Data that it uses to protect the personal data of its own employees. Notwithstanding the foregoing, the Sponsor may monitor the Trustee's interactions with Participants and the Sponsor authorizes the Trustee to permit third-party prospects of the Trustee to monitor Participants' interactions for the purpose of evaluating Trustee's services.

**Section 20. Governing Law.**

**(a) Massachusetts Law Controls.**
This Agreement is being made in the Commonwealth of Massachusetts, and the Trust shall be administered as a Massachusetts trust. The validity, construction, effect, and administration of this Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Massachusetts, except to the extent those laws are superseded under section 514 of ERISA.

**(b) Trust Agreement Controls.**

The Trustee is not a party to the Plan, and in the event of any conflict between the provisions of the Plan and the trust provisions of this Agreement, the trust provisions of this Agreement shall control.

**Section 21. Plan Qualification.**

The Plan is intended to be qualified under section 401(a) of the Code and the Trust established hereunder is intended to be tax-exempt under section 501(a) of the Code. The Sponsor represents that to the extent Participants are able to instruct the investment of their account, the Plan is intended to constitute a plan described in section 404(c) of ERISA and Title 29 of the Code of Federal Regulations Section 2550.404c-1. A confirmation of the Plan's current qualified status is attached hereto as
Schedule "D," and the Sponsor shall provide proof of the Plan's continued qualification upon request by the Trustee. The Sponsor has the sole responsibility for ensuring the Plan's qualified status and full compliance with the applicable requirements of ERISA. The Sponsor hereby certifies that it has furnished to the Trustee a complete copy of the Plan and all amendments thereto in effect as of the date of this Agreement.



**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written. By signing below, the undersigned represent that they are authorized to execute this Agreement on behalf of the respective parties. Each party may rely without duty of inquiry on the foregoing representation.

**ZIONS BANCORPORATION**

| | |
|---|---|
| By: | /s/ Diana M. Andersen |
| | Authorized Signatory |
| Name: | Diana M. Andersen |
| Title: | SVP & Director of Corporate Benefits |

**FIDELITY MANAGEMENT TRUST COMPANY**

| | |
|---|---|
| By: | /s/ Stephanie Sheehan |
| | Authorized Signatory |
| Name: | Stephanie Sheehan |
| Date: | 8/14/2006 |

**SCHEDULES**

**Schedule "A" – *Administrative Services***

**Administration**

* Establishment and maintenance of Participant account and election percentages.

* Maintenance of the Plan investment options set forth on Schedule "C."

* Maintenance of the money classifications set forth in the Plan Administration Manual.

* The Trustee will provide the recordkeeping and administrative services set forth on this Schedule "A" or as otherwise agreed to in writing (or by means of a secure electronic medium) between Sponsor and Trustee. The Trustee may unilaterally add or enhance services, provided such addition or enhancement is made globally across the Trustee's client base and provided there is no impact on fees set forth in Schedule "B."

**A) Participant Services**

1 Participant service representatives are available each Business Day at the times set forth in the Plan Administration Manual via toll free telephone service for Participant inquiries and transactions.

2 Through the automated voice response system and on-line account access via the world wide web, Participants also have virtually 24 hour account inquiry and transaction capabilities.

3 For security purposes, all calls are recorded. In addition, several levels of security are available including the verification of a PIN or such other personal identifier as may be agreed to from time to time by the Sponsor and the Trustee.

4 The following services are available via the telephone or such other electronic means as may be agreed upon from time to time by the Sponsor and the Trustee and will be provided as soon as administratively feasible or within such other timeline as may be agreed upon in writing between the Sponsor and Trustee:

- Process Participant enrollments, in accordance with the procedures set forth in the Plan Administration Manual.
- Provide Plan investment option information consisting of, but not limited, to prospectus and performance summaries.
- Provide and maintain information and explanations about Plan provisions.
- Respond to and provide requests for literature.



- Allow Participants to change their contribution election percentage(s) and establish/change catch-up contributions, if applicable. Provide updates via PSW, in mutually agree upon format, for the Sponsor to apply to its payrolls accordingly.
- Maintain and process changes to Participants' contribution allocations for all money sources.
- Process exchanges (transfers) between investment options on a daily basis, in accordance with the procedures set forth in the Plan Administration Manual.
- Process in-service withdrawals, hardship withdrawals, and full distributions, in accordance with the procedures set forth in the Plan Administration Manual.
- Consult with Participants on various loan scenarios and process loan requests (including loans for the purchase of a primary residence, if applicable), in accordance with procedures set forth in the Plan Administration Manual.

**B) Plan Accounting**

1 Process consolidated payroll contributions according to the Sponsor's payroll frequency via EDT, consolidated magnetic tape or diskette. The data format will be provided by Trustee via EDT, PSW, or as otherwise agreed upon in writing. If there is a change in data format, the Trustee will provide reasonably advanced notification to Sponsor.

2 Maintain and update employee data necessary to support Plan administration. The data will be submitted according to payroll frequency.

3 Provide daily Plan and Participant level accounting for all Plan investment options.

4 Provide daily Plan and Participant level accounting for all money classifications for the Plan.

5 Audit and reconcile the Plan and Participant accounts daily.

6 Reconcile and process Participant withdrawal requests and distributions, in accordance with the procedures set forth in the Plan Administration Manual. All requests are paid based on the current market values of Participants' accounts, not advanced or estimated values. A distribution report will accompany each check.

7 Track individual Participant loans; process loan withdrawals; re-invest loan repayments; and prepare and deliver comprehensive reports to the Sponsor to assist in the administration of Participant loans.

8 Maintain and process changes to Participants' deferral percentage and prospective and existing investment mix elections.

**C) Participant Reporting**

1 Provide confirmation to Participants of all Participant initiated transactions either online or via the mail, as selected by the Participant. Online confirms are generated upon submission of a transaction and mail confirms are available by mail within three to five calendar days of the transaction.



2 Provide Participant statements in accordance with the procedures set forth in the Plan Administration Manual.

3 Timely provide Participants with required Code Section 402(f) notification for distributions from the Plan. This notice advises Participants of the tax consequences of their Plan distributions.

4 Provide Participants with required Code Section 411(a)(11) notification for distributions from the Plan. This notice advises Participants of the normal and optional forms of payment of their Plan distributions.

**D) Plan Reporting**

1 Prepare, reconcile and deliver a monthly Trial Balance Report presenting all money classes and investments. This report is based on the market value as of the last business day of the month. The report will be delivered not later than ten (10) calendar days after the end of each month in the absence of unusual circumstances.

**E) Government Reporting**

1 Process year-end tax reports for Participants – Forms 1099-R, as well as preparation of Form 5500 in accordance with the guidelines set forth on Schedule "F".

**F) Communication & Education Services**

1 Design, produce and distribute a customized comprehensive communications program for employees. The program may include multimedia informational materials, investment education and planning materials, access to Fidelity's homepage on the internet and STAGES magazine. Additional fees for such services may apply as mutually agreed upon between Sponsor and Trustee.

2 Provide Portfolio Review, an internet-based educational service for Participants that generates target asset allocations and model portfolios customized to investment options in the Plan based upon methodology provided by Strategic Advisers, Inc., an affiliate of the Trustee.

**G) Other**

1 Non-Discrimination Testing: Perform non-discrimination limitation testing upon request. In order to obtain this service, the client shall be required to provide the information identified in the Fidelity Discrimination Testing Package Guidelines. Any fees and restrictions associated with this testing service shall be addressed in such guidelines.

2 Plan Sponsor Webstation: The Fidelity Participant Recordkeeping System is available on-line to the Sponsor via the Plan Sponsor Webstation. PSW is a graphical, Windows-based application that provides current plan and Participant-level information, including indicative data, account balances, activity and history. The Sponsor agrees that PSW access will not be granted to third parties without the prior consent of the Trustee.



3 Change of Address by Telephone: The Trustee shall allow Participants as directed by the Sponsor and documented in the Plan Administration Manual, to make address changes via Fidelity's toll-free telephone service.

4 Roll-In Processing. The Trustee shall process the qualification of rollover contributions to the Trust. The procedures for qualifying a rollover are directed by the Sponsor and the Trustee shall accept or deny each rollover based upon the Plan's written criteria and any written guidelines provided by the Sponsor and documented in the Plan Administration Manual.

Requests that do not meet the specified criteria will be returned to the Participant with further explanation as to why the request cannot be processed. If the Sponsor or the Trustee determine that a request is not a valid rollover, the full amount of the requested rollover will be distributed to the Participant.

5 Minimum Required Distributions: Monitor and process minimum required distribution ("MRD") amounts as follows: the Trustee shall notify the MRD Participant and, upon notification from the MRD Participant, shall use the MRD Participant's information to process their distribution. If the MRD Participant has terminated employment and does not respond to the Trustee's notification, the Sponsor hereby directs the Trustee to automatically begin the required distribution for the MRD Participant.

6 Qualified Domestic Relations Order Processing: The Trustee will provide Qualified Domestic Relations Order support by supplying interested parties with plan and benefit information, suspending payments upon notification that a domestic relations order has been submitted, and executing all administrative action required by that order after it has been qualified by the Administrator.

| By: | /s/ Diana M. Andersen | | By: | /s/ Stephanie Sheehan | 8/14/06 |
|---|---|---|---|---|---|
| | Authorized Signatory | Date | | Authorized Signatory | Date |



**Schedule "B" – *Fee Schedule***

| | |
|---|---|
| Annual Participant Fee: | $0 per Participant. |
| Loan Fee: | Establishment fee of $100.00 per loan account. |
| Minimum Required Distribution: | $25.00 per Participant per MRD Withdrawal. |
| In-Service Withdrawals: | $20.00 per withdrawal. |
| Return of Excess Contribution Fee: | $25.00 per Participant, one-time charge per calculation and check generation. |
| Non-Fidelity Mutual Funds: | Fees paid directly to Fidelity Investments Institutional Operations Company, Inc. (FIIOC) or its affiliates by Non-Fidelity Mutual Fund vendors shall be posted and updated quarterly on Plan Sponsor Webstation at http://psw.fidelity.com or a successor site. |

Signature Ready 5500: The standard fee is waived; provided, however, if all required information is not received until after 5 1/2 months following the Plan's year-end, there will be a late processing charge of $1,000 per Plan affected. Any revisions requested by the Plan Sponsor after Fidelity has initially prepared and submitted the Form 5500 to the Plan Sponsor will be processed at a rate of $100 per hour.

DRO Qualification: This service will commence only after Fidelity receives the Service Authorization Agreement executed by a legally authorized representative of the Sponsor. The "standard" Order review fees are as follows: $300 for the review of unaltered Orders generated via Fidelity's QDRO Center website, or $1,200 for the review of Orders not generated via Fidelity's QDRO Center website, or for Orders generated via Fidelity's QDRO Center website but then subsequently altered. A "standard" DRO is an order that references one defined contribution plan only. The fees for "complex" Orders are as follows: $900 for the review of unaltered Orders generated via Fidelity's QDRO



Center website, or $1,200 for the review of Orders not generated via Fidelity's QDRO Center website, or for Orders generated via Fidelity's QDRO Center website but then subsequently altered. A "complex" Order is an Order that references a defined benefit plan or multiple plans (defined benefit and/or defined contribution, in any combination). Any revisions to these fees will be reflected in an updated Service Authorization Agreement for the DRO qualification service which will be provided by the Trustee to the Sponsor for execution.

Dividend Pass-Through Fee: $4 for each dividend check that is cut.

$3 for each dividend sent via EFT.

This fee is based on the following assumptions, in addition to those set forth in the Note section:

- Dividends will be distributed quarterly

- The default option for receiving dividends will be reinvestment into the Stock Fund.

- Other Fees: separate charges may apply for optional non-discrimination testing, extraordinary expenses resulting from large numbers of simultaneous manual transactions, from errors not caused by Fidelity, reports not contemplated in this Agreement, corporate actions, or the provision of communications materials in hard copy which are also accessible to participants via electronic services in the event that the provision of such material in hard copy would result in an additional expense deemed to be material. The Administrator may withdraw reasonable administrative fees from the Trust by written direction to Fidelity.

Note: These fees are based on the Plan characteristics, asset configuration, net cash flow, fund selection and number of Participants existing as of the date of this agreement. In the event that one or more of these factors changes significantly, fees may be subject to change after discussion and mutual agreement of the parties. Significant changes in the legal and regulatory environment would also prompt discussion and potential fee changes.

| **ZIONS BANCORPORATION** | | | **FIDELITY MANAGEMENT TRUST COMPANY** | | |
|---|---|---|---|---|---|
| By: | /s/ Diana M. Andersen | | By: | /s/ Stephanie Sheehan | 8/14/06 |
| | Authorized Signatory | Date | | Authorized Signatory | Date |



**Schedule “C” – *Investment Options***

In accordance with Section 5(b), the Named Fiduciary hereby directs the Trustee that Participants' individual accounts may be invested in the following investment options:

- Fidelity Advisor Diversified International Fund—Class I
- Fidelity Balanced Fund
- Fidelity Capital & Income Fund
- Fidelity *Contrafund*®
- Fidelity Freedom 2000 Fund®
- Fidelity Freedom 2005 Fund®
- Fidelity Freedom 2010 Fund®
- Fidelity Freedom 2015 Fund®
- Fidelity Freedom 2020 Fund®
- Fidelity Freedom 2025 Fund®
- Fidelity Freedom 2030 Fund®
- Fidelity Freedom 2035 Fund®
- Fidelity Freedom 2040 Fund®
- Fidelity Freedom Income Fund®

- Fidelity U.S. Bond Index Fund
- Managed Income Portfolio II—Class 1
- AllianceBernstein International Value Fund—Advisor Class
- American Beacon Large Cap Value Fund—Plan Ahead Class
- BlackRock International Opportunities Fund—Institutional Class
- Columbia Acorn USA Fund—Class Z
- Evergreen Special Values Fund—Institutional Class
- Janus Mid Cap Value Fund—Investor class
- Legg Mason Partners Aggressive Growth Fund—Class A
- Loomis Sayles Bond—Institutional Class
- Loomis Sayles Global Bond—Institutional Class
- Morgan Stanley Institutional International Real Estate Portfolio—Class A
- PIMCO Commodity Real Return Strategy Fund—Institutional Class
- PIMCO Total Return Fund—Institutional Class



- Rainier Small/Mid Cap Equity Portfolio—Investor Class
- Spartan® International Index Fund—Investor Class
- Spartan® Total Market Index Fund—Investor Class
- Spartan® U.S. Equity Index Fund—Investor Class
- T. Rowe Price Emerging Markets Stock Fund
- Vanguard Mid-Cap Index Fund—Admiral Class
- Vanguard REIT Index Fund—Admiral Class
- Vanguard Small-Cap Index Fund—Admiral Class
- Victory Diversified Stock Fund—Class A
- Zions Stock Fund (*frozen to new investment elections and exchanges in*)

The Named Fiduciary hereby directs that the investment option referred to in Section 5(c) and Section 5(e)(vi)(B)(5) shall be Managed Income Portfolio II—Class 1.

**ZIONS BANCORPORATION**

By: /s/ Diana M. Andersen

Authorized Signatory Date



**Schedule "D" – *Statement of Qualified Status***



**Schedule "E" – *Operational Guidelines for Non-Fidelity Mutual Funds***

**Pricing**

By 7:00 p.m. Eastern Time ("ET") each Business Day, the Non-Fidelity Mutual Fund Vendor (Fund Vendor) will transmit the following information ("Price Information") to FIIOC: (1) the NAV for each Fund prior to the close of trading on the New York Stock Exchange ("Close of Trading"), (2) the change in each Fund's NAV from the Close of Trading on the prior Business Day, (3) in the case of an income fund or funds, the daily accrual for interest rate factor ("mil rate"), and (4) on ex dividend date, if applicable, dividend and capital gain information. FIIOC must receive Price Information each Business Day. If on any Business Day the Fund Vendor does not provide such Price Information to FIIOC, FIIOC shall pend all associated transaction activity in the Plan until the relevant Price Information is made available by Fund Vendor.

**Trade Activity and Wire Transfers**

Each Business Day following Trade Date ("Trade Date plus One"), FIIOC or National Financial Services Corporation LLC ("NFS"), an affiliate of FIIOC, will provide, via facsimile, to the Fund Vendor a consolidated report of net purchase or net redemption activity that occurred in each of the Funds at the Close of Trading on the prior Business Day. The report will reflect the dollar amount of assets and shares to be invested or withdrawn for each Fund. FIIOC or NFS will transmit this report to the Fund Vendor each Business Day, regardless of processing activity. In the event that data contained in the facsimile transmission represents estimated trade activity, FIIOC or NFS shall provide a final facsimile to the Fund Vendor. Any resulting adjustments shall be processed by the Fund Vendor at the net asset value for the prior Business Day.

The Fund Vendor shall send via regular mail to FIIOC or NFS transaction confirms for all daily activity in each of the Funds. The Fund Vendor shall also send via regular mail to FIIOC or NFS, by no later than the fifth Business Day following calendar month close, a monthly statement for each Fund. FIIOC and NFS agree to notify the Fund Vendor of any balance discrepancies within twenty (20) Business Days of receipt of the monthly statement.

For purposes of wire transfers, FIIOC or NFS shall transmit a daily wire for aggregate purchase activity and the Fund Vendor shall transmit a daily wire for aggregate redemption activity, in each case including all activity across all Funds occurring on the same day.

**Prospectus Delivery**

FIIOC shall be responsible for the timely delivery of Fund prospectuses and periodic Fund reports ("Required Materials") to Participants, and shall retain the services of a third-party vendor to handle such mailings. The Fund Vendor shall be responsible for all materials and production costs, and hereby agrees to provide the Required Materials to the third-party vendor selected by FIIOC. The Fund Vendor shall bear the costs of mailing annual Fund reports to Participants. FIIOC shall bear the costs of mailing prospectuses to Participants.



**Proxies**

The Fund Vendor shall be responsible for all costs associated with the production of proxy materials. FIIOC shall retain the services of a third-party vendor to handle proxy solicitation mailings and vote tabulation. Expenses associated with such services shall be billed directly to the Fund Vendor by the third-party vendor.

**Participant Communications**

The Fund Vendor shall provide internally-prepared fund descriptive information approved by the Funds' legal counsel for use by FIIOC in its written Participant communication materials. FIIOC shall utilize historical performance data obtained from third-party vendors (currently Morningstar, Inc., FACTSET Research Systems and Lipper Analytical Services) in telephone conversations with Participants and in quarterly Participant statements. The Sponsor hereby consents to FIIOC's use of such materials and acknowledges that FIIOC is not responsible for the accuracy of such third-party information. FIIOC shall seek the approval of the Fund Vendor prior to retaining any other third-party vendor to render such data or materials under this Agreement.

**Compensation**

FIIOC shall be entitled to fees as set forth in a separate agreement with the Fund Vendor.



**Schedule "F" –** ***Form 5500 Service***

Effective for the plan year ending December 31, 2006 and thereafter, the Trustee agrees to provide the Signature Ready Form 5500 Service (the "Service") and the Summary Annual Report ("SAR"), in accordance with the following:

**The Sponsor hereby agrees to:**

- Submit the following required information ("Required Information") annually:
  - Completed plan questionnaire ("Questionnaire");
  - Draft or final copy of the audited financial statements; and
  - Copy of the prior year Form 5500 filed with the Department of Labor (DOL) (applicable only if Fidelity did not prepare the plan's prior year Form 5500)
- Provide Fidelity with the Required Information, in the format requested by Fidelity, as soon as possible after the plan's year end – but in no event later than the last day of the 8th month following the plan's year-end (assuming a filing extension has been requested);
- Authorize Fidelity to prepare and execute IRS Form 5558 (Application for Extension) on behalf of the Plan Administrator and file Form 5558 with the IRS in order to obtain an extension of the filing deadline in the event that Fidelity has not received a completed plan Questionnaire within five and one-half (5 1/2) months after the plan's year end;

- Review, sign and mail the Form 5500 prepared by Fidelity to the DOL in a timely manner;

- Distribute the SAR to participants and beneficiaries in a timely manner; and

- Respond to and provide any other information requested by Fidelity, including soliciting any information from the prior recordkeeper, related to the Form 5500.

**Fidelity hereby agrees to:**

- Provide the Sponsor with the Questionnaire within one and one-half (1 1/2 ) months after the Plan's year-end;

- File Form 5558 to request an extension of time to file Form 5500 if requested by the Plan Sponsor or if the completed Questionnaire is not received from the Sponsor within five and one half (5 1/2 ) months after the Plan's year end, as specified above;

- Provide the Sponsor with the Form 5500 at least twenty (20) days prior to the required filing date and SAR at least twenty (20) days prior to the required mailing date, assuming the Plan Sponsor has submitted the Required Information and has met the filing deadlines as outlined in this agreement;



- Respond to inquiries from the DOL or IRS received by the Sponsor, related to any Form 5500 prepared by Fidelity.

The Plan Sponsor understands that the Form 5500 will be prepared based upon the information provided in the Questionnaire and acknowledges that Fidelity shall have no responsibility for verifying the authenticity or accuracy of the data submitted by the Sponsor on the Questionnaire.

In the event that Fidelity does not receive all Required Information within 8 months after the plan's year-end, Fidelity will not prepare the Form 5500 and the Sponsor shall be responsible for completing the Form 5500 for filing with the DOL. Fidelity will not be held responsible for any late fees or penalties for incomplete filings caused by it not receiving the Required Information within 8 months after the plan's year-end.

Fees related to this Service are set out on Schedule "B" to the Agreement to which this schedule is attached. Further, Signature-Ready 5500 service will continue until the Plan Sponsor provides Fidelity with written direction to the contrary.

| **ZIONS BANCORPORATION** | | **FIDELITY MANAGEMENT TRUST COMPANY** | |
|---|---|---|---|
| By: /s/ Diana M. Andersen | | By: /s/ Stephanie Sheehan | 8/14/06 |
| Authorized Signatory | Date | Authorized Signatory | Date |



**Schedule "G" – *Available Liquidity Procedures for Unitized Stock Fund***

The following procedures shall govern sales of the Sponsor Stock Fund requested for a day on which Available Liquidity is insufficient:

1. Withdrawals and distributions will be aggregated and placed first in the hierarchy. If Available Liquidity is sufficient for the aggregate of such transactions, all such withdrawals and distributions will be honored. If Available Liquidity is not sufficient for the aggregate of such transactions, then such transactions will be suspended, and no transactions requiring the sale of Sponsor Stock Fund units shall be honored for that day.

2. If Available Liquidity has not been exhausted by the aggregate of withdrawals and distributions, then all remaining transactions involving a sale of units in the Sponsor Stock Fund (exchanges out) shall be grouped on the basis of when such requests were received, in accordance with standard procedures maintained by the Trustee for such grouping as they may be amended from time to time. To the extent of Available Liquidity, groups of exchanges out of the Sponsor Stock Fund shall be honored, by group, on a FIFO basis. If Available Liquidity is insufficient to honor all exchanges out within a group, then none of the exchanges out in such group shall be honored, and no exchanges out in a later group shall be honored.

3. Transactions not honored on a particular day due to insufficient Available Liquidity shall be honored, using the hierarchy specified above, on the next Business Day on which there is Available Liquidity.

**Schedule "H" – *Cash Dividend Operating Procedures***

Zions Bancorporation (the Sponsor") and Fidelity Management Trust Company and Fidelity Investments Institutional Operations Company, Inc. ("Fidelity") hereby agree that the cash dividend pass-through program with respect to the Zions Bancorp Stock (the "Stock Fund") shall be administered in accordance with the following procedures.

**Definitions:**

"Business Day" shall mean any day the New York Stock Exchange is open for business.

"Dividend Payable Date" shall mean the business day Fidelity receives funding for the Stock Fund dividends from the transfer agent.

**Procedures:**

1. The Sponsor shall, as soon as practicable, inform Fidelity of the expected dividend dates (record date, ex-dividend date and payment date) and the anticipated amount of the dividend.

2. Fidelity shall determine the amount of dividends attributable to each participant eligible for the dividend pass-through, and who is invested in the Stock Fund on ex-dividend date, as follows: Fidelity shall calculate the dividend per unit in the Stock Fund by dividing the total dividend received for shares held within the Stock Fund by the total number of units outstanding on ex-dividend date. The amount of dividend attributable to each eligible participant shall be determined by multiplying the dividend per unit by the amount of units held by each eligible participant on ex-dividend date.

3. On the Dividend Payable Date, the transfer agent shall wire to Fidelity the funding for the dividends paid to the Zions Bancorporation Pay Shelter 401K and Employee Stock Ownership Plan as calculated under Section 2 above.

4. Each Dividend Payout Date, for eligible participants who have elected to receive their dividends in cash, Fidelity shall begin the processing of participant checks. Participants receiving a dividend of less than $10 and participants failing to make a distribution election will have their dividend reinvested in the Stock Fund.

5. Fidelity shall issue IRS Form 1099-DIV to participants no later than January 31 of the year following the year in which participants received dividends in cash.



(Back To Top)

# Section 16: EX-10.44 (FORM OF CHANGE IN CONTROL AGREEMENT)

EXHIBIT 10.44

## [FORM OF AGREEMENT]

**ZIONS BANCORPORATION**
**CHANGE IN CONTROL AGREEMENT**
**SENIOR EXECUTIVES**

The Company is a party to Change in Control Agreements with certain executive officers in the form attached hereto.

## [FORM OF AGREEMENT]

**ZIONS BANCORPORATION**
**CHANGE IN CONTROL AGREEMENT**
**SENIOR EXECUTIVES**

(Date of Agreement)

[Name]
[Address]
[Address]

Dear [First Name]:

Zions Bancorporation (the "Company") considers it essential to the best interests of its shareholders to foster the continuous employment of key management personnel. In connection with this, the Company's Board of Directors (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Company may exist and that the uncertainty and questions that it may raise among management could result in the departure or distraction of management personnel to the detriment of the Company and its shareholders.

The Board has determined that it is in the best interests of the Company and its shareholders to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without the distraction arising from the event of any threat or occurrence of a change in control of the Company.

In order to induce you to remain in the employ of the Company or any of its affiliates (collectively, the "Company"), the Company hereby agrees that after this letter agreement (this "Agreement") has been fully executed, you shall receive the severance benefits set forth in Section 5 of this Agreement in the event your employment with the Company is terminated under the circumstances described in Section 4 of this Agreement subsequent to a Change in Control (as defined in Section 2).

1.Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2004; *provided*, *however*, that commencing on March 1, 2003 and on each March 1 thereafter, the term of this Agreement shall automatically be extended for one (1) additional year

unless, not later than March 1 of that preceding year, the Company shall have given written notice to you that it does not wish to extend this Agreement; *provided*, *further*,
that if a Change in Control occurs during the original or any extended term of this Agreement, the term of this Agreement shall continue in effect for a period of not less than thirty-six (36) months beyond the month in which such Change in Control occurred.

2. Change in Control. No benefits shall be payable under Section 5 of this Agreement unless there has been a Change in Control. A "Change in Control" shall mean:

(a) any Person (as defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities ("Outstanding Company Voting Securities"); *provided*, *however*, that the event described in this subsection (a) shall not be deemed a Change in Control by virtue of any of the following acquisitions: (i) by the Company or any corporation controlled by the Company, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities, (iv) pursuant to a Non-Qualifying Transaction (as defined in subsection (c) below), (v) pursuant to any acquisition by you or any group of persons including you (or any entity controlled by you or any group of persons including you), (vi) a transaction (other than one described in subsection (c) below) in which Outstanding Company Voting Securities are acquired from the Company, if a majority of the Continuing Directors (as defined in subsection (b) below) approve a resolution providing expressly that the acquisition pursuant to this clause (vi) does not constitute a Change in Control under this subsection (a) for any or all purposes of this Agreement or (vii) any acquisition by a Person of 20% of the Outstanding Company Voting Securities as a result of an acquisition of common stock of the Company by the Company which, by reducing the number of shares of common stock of the Company outstanding, increases the proportionate number of shares beneficially owned by such Person to 20% or more of the Outstanding Company Voting Securities; *provided*, *however*, that if a Person shall become the beneficial owner of 20% or more of the Outstanding Company Voting Securities by reason of a share acquisition by the Company as described above and shall, after such share acquisition by the Company, become the beneficial owner of any additional shares of common stock of the Company, then such acquisition shall constitute a Change in Control;

(b) individuals who, on August 19, 2002, constitute the Board ("Continuing Directors"), cease for any reason to constitute at least a majority thereof, *provided* that any person becoming a director subsequent to such date whose election or nomination for election was approved by a vote of at least a majority of the Continuing Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be a Continuing Director; *provided*, *however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or
threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be a Continuing Director;

(c) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of at least 95% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination are Continuing Directors (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) above shall be deemed to be a "Non-Qualifying Transaction"); *provided*, *however*, that if Continuing Directors constitute a majority of the Board immediately following the occurrence of a Business Combination, then a majority of Continuing Directors in office prior to the consummation of the Business Combination may approve a resolution providing expressly that such Business Combination does not constitute a Change in Control under this subsection (c) for any or all purposes of this Agreement;

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

(e) the consummation of an agreement (or agreements) providing for the sale or disposition by the Company of all or substantially all of the Company's assets other than a sale or disposition which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent 50% or more of the combined voting power of the Company or such surviving entity outstanding immediately after such sale or disposition.

3. <u>Accelerated Vesting Upon a Change in Control</u>.

(a) All outstanding options, if any, granted to you by the Board under any of the Company's stock option plans, incentive plans, or other similar plans (or options substituted therefor covering the stock of a successor corporation) shall become fully vested and exercisable upon a Change in Control as to all shares of stock covered thereby, and the restricted period with respect to any restricted stock or any other equity award granted to you thereunder shall lapse and such shares shall be distributed to you immediately upon a Change in Control.

(b) All unpaid awards under the Senior Management Value Sharing Plan ("Value Sharing Plan") will be payable at the higher of their target value as established by the Executive Compensation Committee of the Board (the "Committee") or their value calculated under the terms of the Value Sharing Plan based on the average annual growth in Earnings per Share (as such term is defined in the Value Sharing Plan) and the average Tangible Return on Equity (as such term is defined in the Value Sharing Plan) from the inception of each Plan Period (as such term is defined in the Value Sharing Plan) through the fiscal quarter

ending prior to the effective date of the Change of Control. Any such payments will be pro-rated based on multiplying them times a fraction, the numerator of which is the number of quarters completed in the performance cycle and the denominator of which is the original number of quarters in the performance cycle called for in the Value Sharing Plan.

4. Termination of Employment Following a Change in Control.

(a) General. During the term of this Agreement, if a Change in Control shall have occurred, you shall be entitled to the benefits provided in Section 5(c) upon the subsequent termination of your employment, *provided* that such termination occurs during the term of this Agreement and within the two (2) year period immediately following the date of such Change in Control, unless such termination is (i) because of your death or Disability (as defined in Section 4(b)), (ii) by the Company for Cause (as defined in Section 4(c)) or (iii) by you other than for Good Reason (as defined in Section 4(d)).

(b) Disability. Your employment may be terminated for Disability. "Disability" means your absence from the full-time performance of your duties with the Company for six (6) consecutive months as a result of your incapacity due to physical or mental illness as determined by a physician selected by the Company and acceptable to you or by the company that administers the Company's long-term disability plan in which you are participating. If the Company determines in good faith that your Disability has occurred, it may give you written notice in accordance with Section 7 of its intention to terminate your employment. In such event, your employment shall terminate effective on the thirtieth (30th) day after your receipt of such notice (the "Disability Effective Date") unless within the thirty (30) days after such receipt, you shall not have returned to the full-time performance of your duties.

(c) Cause. Termination by the Company of your employment for "Cause" shall mean termination (i) upon your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your Disability or any such actual or anticipated failure after your issuance of a Notice of Termination (as defined in Section 4(e)) for Good Reason (as defined in Section 4(d))), after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, (ii) upon your willful and continued failure to substantially follow and comply with the specific and lawful directives of the Board, as reasonably determined by the Board (other than any such failure resulting from your Disability or any such actual or anticipated failure after your issuance of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, (iii) upon your commission of an act of fraud or dishonesty resulting in material economic or financial injury to the Company or (iv) upon your engagement in illegal conduct or gross misconduct, in each case which is materially and demonstrably injurious to the Company. For purposes of this subsection (c), no act or failure to act shall be considered "willful" unless done or omitted to be done in bad faith and without reasonable belief that your action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, based upon the advice of counsel for the Company or upon the instructions of the Company's chief executive officer shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company. Cause shall not exist unless and until the Company has delivered to you a copy of a resolution duly adopted by three-quarters (3/4) of the entire Board (excluding you if you are a Board member) at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board an event set forth in clause (i), (ii), (iii) or (iv) has occurred and specifying the

particulars thereof in detail. The Company must notify you of any event constituting Cause within ninety (90) days following the Company's knowledge of its existence or such event shall not constitute Cause under this Agreement.

(d) Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of any of the following circumstances:

(i) the assignment to you of any duties materially inconsistent with the position in the Company that you held immediately prior to the Change in Control, a significant adverse alteration in the nature or status of your responsibilities or the conditions of your employment from those in effect immediately prior to such Change in Control, or any other action by the Company that results in a material diminution in your position, authority, duties or responsibilities;

(ii) the Company's reduction by more than 10% of your annual total compensation as in effect on the date hereof or as the same may be increased from time to time;

(iii) (1) the relocation of the Company's offices at which you are principally employed immediately prior to the Change in Control (your "Principal Location") which results in the one-way commuting distance for you increasing by more than fifty (50) miles from your primary residence immediately prior to a Change in Control, (2) the Company's requiring you to be based anywhere other than your Principal Location or (3) the Company's requiring you to travel on the Company's business to an extent substantially greater than your business travel obligations immediately prior to the Change in Control;

(iv) the Company's failure to pay to you any portion of your current compensation or to pay to you any portion of an installment of deferred compensation under any deferred compensation program of the Company within thirty (30) days after the date such compensation is due;

(v) the Company's failure to continue (1) any material employee benefit plan, compensation plan, or material fringe benefit plan in which you participate immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan or (2) your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount and cost of benefits provided and the level of your participation relative to other participants, as existed immediately prior to the Change in Control;

(vi) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4(e) hereof, which purported termination shall not constitute a termination for purposes of this Agreement; or

(vii) the failure of the Company to obtain the assumption agreement from any successor as contemplated in Section 6(a).

Notwithstanding the foregoing, the Company placing you on a paid leave of up to ninety (90) days, pending the determination of whether there is a basis to terminate you for Cause, shall not constitute a "Good Reason" event; *provided*, that if you are subsequently terminated for Cause, then you shall repay any amounts paid by the Company to you during such leave period.

An isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company within ten (10) days after receipt of notice thereof given by you shall not constitute a Good Reason event. Your right to terminate employment for Good Reason shall not be affected by your incapacity due to mental or physical illness, and your continued employment shall not constitute consent to, or a waiver of rights with respect

to, any event or condition constituting Good Reason; *provided*, *however*, that you must provide a Notice of Termination within ninety (90) days following your knowledge of an event constituting Good Reason or such event shall not constitute Good Reason under this Agreement.

(e) Notice of Termination. Any purported termination of your employment by the Company or by you (other than termination due to death which shall terminate your employment automatically) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 7. "Notice of Termination" shall mean a notice that shall (i) indicate the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated and (iii) specify the Date of Termination (as defined in Section 4(f)). The failure by you or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any of your or the Company's rights hereunder or preclude you or the Company from asserting such fact or circumstance in enforcing your or the Company's rights hereunder.

(f) Date of Termination. "Date of Termination" shall mean (i) if your employment is terminated due to your death, the date of your death, (ii) if your employment is terminated for Disability, the Disability Effective Date, or (iii) if your employment is terminated pursuant to Section 4(c) or (d) or for any other reason (other than death or Disability), the date specified in the Notice of Termination (which, in the case of a termination for Cause shall not be more than thirty (30) days after the date such Notice of Termination is given, and in the case of a termination for Good Reason shall not be less than fifteen (15) nor more than sixty (60) days after the date such Notice of Termination is given), provided that the Company may accelerate the Date of Termination to an earlier date by providing you with notice of such action, or, alternatively, the Company may place you on paid leave during such period.

5. Compensation Upon Termination or During Disability Following a Change in Control. Following a Change in Control during the term of this Agreement, you shall be entitled to the benefits described below during a period of Disability, or upon termination of your employment, as the case may be, provided that such period or termination occurs during the term of this Agreement and within the two

(2) year period immediately following the date of such Change in Control. The benefits to which you are entitled, subject to the terms and conditions of this Agreement, are:

(a) During any period during which you fail to perform your full-time duties with the Company as a result of your Disability, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all compensation payable to you under the Company's disability plan or program or other similar plan during such period, until your employment is terminated pursuant to Section 4(b) hereof. Thereafter, or in the event your employment is terminated by reason of your death, your benefits shall be determined, paid and provided under the Company's retirement,

insurance and other benefit and compensation programs then in effect in accordance with the terms of such programs.

(b) If your employment shall be terminated (i) by the Company for Cause or (ii) by you other than for Good Reason, the Company shall pay you (1) within thirty (30) days following the Date of Termination a lump sum cash amount equal to the sum of (A) your base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given plus (B) the unpaid portion, if

any, of any annual bonus for any prior year and (2) all other amounts to which you are entitled under any benefit or compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(c) If your employment by the Company shall be terminated by you for Good Reason or by the Company other than for Cause or Disability, then you shall be entitled to the benefits provided below:

(viii) the Company shall pay to you (1) within ten (10) days following the Date of Termination a lump sum cash amount equal to the sum of (A) your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given plus (B) the unpaid portion, if any, of any annual bonus, plus an amount equal to your targeted annual bonus, pro-rated from January 1 of the termination year through the Date of Termination and (2) all other amounts to which you are entitled under any benefit or compensation plan of the Company at the time such payments are due;

(ix) the Company shall pay as severance pay to you within ten (10) days following the Date of Termination a lump sum cash severance payment equal to three (3) times the sum of (1) your annual base salary as in effect as of the Date of Termination or immediately prior to the Change in Control, whichever is greater plus (2) your targeted annual bonus as in effect as of the Date of Termination or the average annual bonus received by you with respect to the three (3) years immediately prior to the Change in Control, whichever is greater;

(x) for a period of three (3) years, the Company shall continue to provide you and your eligible family members, based on the cost sharing arrangement between you and the Company in effect on the date of the Change in Control, with medical and dental health benefits at least equal to those which would have been provided to you and them if your employment had not been terminated or, if more favorable to you, as in effect generally at any time thereafter, *provided*, *however*, that such benefits shall be secondary to any other coverage obtained by you and *provided, further,* that if the Company's welfare plans do not permit such coverage, the Company will provide you and your eligible family members with medical and dental health benefits (with the same after-tax effect) outside of such plans. At the termination of the benefits coverage under the preceding sentence, you and your eligible family members shall be entitled to continuation coverage pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"),

Sections 601-608 of the Employee Retirement Income Security Act of 1974, as amended, and under any other applicable law, to the extent required by such laws, as if you had terminated employment with the Company on the date such benefits coverage terminates;

(xi) for a period of two (2) years following the Date of Termination, the Company shall, at its sole expense as incurred, provide you with outplacement services, the scope and provider of which shall be selected by you in your sole discretion, at an aggregate cost to the Company not to exceed twenty five percent (25%) of your annual base salary as in effect as of the Date of Termination or immediately prior to the Change in Control, whichever is greater; and

(xii) you shall be fully vested in your accrued benefits under any qualified or nonqualified pension, profit sharing, deferred compensation or supplemental plans maintained by the Company for your benefit, except to the extent that the acceleration of vesting of such benefits would violate any applicable law or require the Company to accelerate the vesting of the accrued benefits of all participants in such plan or plans, in which case the Company may elect to pay to you within thirty (30) days following the Date of Termination a lump sum cash payment equal to the sum of (1) the value of such unvested accrued benefits in lieu of accelerating the vesting of your benefits plus (2) an amount equal to the amount the

Company would have contributed to your account under the Company's 401(k) plan as a matching contribution had you remained employed by the Company for three (3) years after your Date of Termination and had you made the maximum elected deferral contributions.

(xiii) (1) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for your benefit (whether pursuant to the terms of this Agreement or otherwise) ("Payments") would be subject to the excise tax ("Excise Tax") under Section 4999 of the Code, then the amounts payable to you under this Agreement shall be reduced (reducing first the payments under Section 5(c)(ii), unless you elect an alternative method of reduction) to the maximum amount as will result in no portion of the Payments being subject to such excise tax ("Safe Harbor Cap"). For purposes of reducing the Payments to the Safe Harbor Cap, only amounts payable to you under this Agreement (and no other Payments) shall be reduced, unless consented to by you.

(2) All determinations required to be made under this Section 5(c)(vi) shall be made by the public accounting firm that is retained by the Company to audit the financial statements of the Company as of the date immediately prior to the Change in Control ("Accounting Firm") which

shall provide detailed supporting calculations both to the Company and you within fifteen (15) business days of the receipt of notice from the Company or you that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, you may appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). If payments are reduced to the Safe Harbor Cap, the Accounting Firm shall provide a reasonable opinion to you that you are not required to report any Excise Tax on your federal income tax return. All fees, costs and expenses (including, but not limited to, the costs of retaining experts) of the Accounting Firm shall be borne by the Company. If the Accounting Firm determines that no Excise Tax is payable by you, it shall furnish you with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on your applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish you with a written opinion to such effect. The determination by the Accounting Firm shall be binding upon the Company and you (except as provided in subsection (3) below).

(3) If it is established pursuant to a final determination of a court or Internal Revenue Service ("IRS") proceeding which has been finally and conclusively resolved, that Payments have been made to, or provided for the benefit of, you by the Company, which are in excess of the limitations provided in this Section 5(c)(vi) (hereinafter referred to as an "Excess Payment"), such Excess Payment shall be deemed for all purposes to be a loan to you made on the date you received the Excess Payment and you shall repay the Excess Payment to the Company on demand, together with interest on the Excess Payment at the applicable federal rate (as defined in Section 1274(d) of the Code) from the date of your receipt of such Excess Payment until the date of such repayment. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the determination, it is possible that Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made under this Section 5. In the event that it is determined (A) by the Accounting Firm, the Company (which shall include the position taken by the Company, or together with its consolidated group,

on its federal income tax return) or the IRS or (B) pursuant to a determination by a court, that an Underpayment has occurred, the Company shall pay an amount equal to such Underpayment to you within ten (10) days of such determination together with interest on such amount at the applicable federal rate from the date such amount would have been paid to you until the date of payment.

7. Successors; Binding Agreement.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to terminate your employment and receive compensation from the Company in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a Change in Control, except that, upon your written request, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. Unless expressly provided otherwise, "Company" as used herein shall mean the Company as defined in this Agreement and any successor to its business and/or assets as aforesaid.

(b) This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your estate.

8. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Confidentiality and Non-Solicitation Covenants.

(a) Confidentiality. You hereby agree that commencing on the Date of Termination, you shall not, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). You agree that, upon termination of your employment with the Company, all Confidential Information in your possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by you or furnished to any third party, in any form except as provided herein; *provided*, *however*, that you shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to you, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Company by any person or entity or (iii) is lawfully disclosed

to you by a third party. As used in this Agreement, the term "Confidential Information" means: information disclosed to you or known by you as a consequence of or through your relationship with the Company, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Company.

(b) Non-Solicitation. You hereby agree that, for the period commencing on the Date of Termination and terminating on the first anniversary thereof, you shall not, either on your own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Company any of its officers or employees or offer employment to any person who is an officer or employee of the Company; *provided*, *however*, that a general advertisement to which an employee of the Company responds shall in no event be deemed to result in a breach of this Section 8(b).

10. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Utah without giving effect to its conflicts of laws rules.

11. Joint and Several Liability. Any successors or assigns shall be jointly and severally liable with the Company under this Agreement.

12. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. The section headings contained in this Agreement are for convenience only, and shall not affect the interpretation of this Agreement.

13. Withholding Taxes. The Company may withhold from all payments due to you (or your estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or

enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

16. Legal Fees. In addition to all other amounts payable to you under this Agreement, the Company shall pay to you all legal fees and expenses incurred by you in connection with any dispute arising out of or relating to this Agreement or the interpretation thereof (including, without limitation, all such fees and expenses, if any, incurred in contesting or disputing any termination of your employment or in seeking to obtain or enforce any right or benefit provided by this Agreement, or in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any payment or benefit provided hereunder), regardless of the outcome of such proceeding; *provided*, *however*, that you shall not

be entitled to recover such fees and costs if the court or other tribunal or body hearing the dispute determines that you brought the claim in bad faith or that the claim was frivolous.

17. At-Will Employment. Nothing in the foregoing diminishes or alters the Company's policy of at-will employment for all employees, where both the Company and you may terminate the employment relationship at any time and for any reason, with or without cause or notice. If your employment with the Company shall terminate prior to a Change in Control, you shall have no further rights under this Agreement; *provided*, *however*, that any termination of your employment during the term of this Agreement and within the two (2) year period immediately following a Change in Control shall be subject to all of the provisions of this Agreement.

18. Full Settlement. The Company's obligation to make any payments provided for in this Agreement and otherwise to perform its obligations hereunder shall be in lieu and in full settlement of all other severance payments to you under any other severance agreement between you and the Company, and any severance plan of the Company. The Company's obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against you or others. In no event shall you be obligated to seek other employment or take other action by way of mitigation of the amounts payable to you under any of the provisions of this Agreement and, except as provided in Section 5(c)(iii), such amounts shall not be reduced whether or not you obtain other employment.

19. Survival. The respective obligations and benefits afforded to the Company and you as provided in Sections 3, 5 (to the extent that payments or benefits are owed as a result of a termination of employment that occurs during the term of this Agreement), 6, 8, 12, 15 and 17 shall survive the termination of this Agreement.

20. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto, and any prior agreement of the parties hereto in respect of the subject matter contained herein, including, without limitation, any prior severance agreements, is hereby terminated and cancelled. Except as otherwise specifically provided in this Agreement, any of your rights hereunder shall be in addition to any rights you may otherwise have under benefit plans or agreements of the Company to which you are a party or in which you are a participant, including, but not limited to, any Company sponsored employee benefit plans and stock options plans and provisions of this Agreement shall not in any way abrogate your rights under such other plans and agreements.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which shall then constitute our agreement on this subject.

Sincerely,
ZIONS BANCORPORATION
By: ______________________________
Its: Chairman and CEO

Agreed to this day
of .

______________________________
[Name]

(Back To Top)

# Section 17: EX-21 (LIST OF SUBSIDIARIES)

EXHIBIT 21

**LIST OF SUBSIDIARIES**
**ZIONS BANCORPORATION, NATIONAL ASSOCIATION**
**AT DECEMBER 31, 2018**

| SUBSIDIARY | STATE OR JURISDICTION OF INCORPORATION/ORGANIZATION |
| --- | --- |
| PPS Data, LLC | Nevada |

| | |
|---|---|
| Amegy Holding Texas, Inc. | Texas |
| Exchange Services L.L.C. | Utah |
| Zions Capital Advisors, Inc. | Utah |
| Zions Credit Corp. | Utah |
| Zions Direct, Inc. | Utah |
| Zions Insurance Agency, Inc. | Utah |
| Zions Public Finance, Inc. | Utah |
| Zions SBIC, LLC | Utah |
| ZMFU II, Inc. | Utah |

(Back To Top)

# Section 18: EX-23 (CONSENT OF INDEPDENDENT REGISTERED PUBLIC ACCOUNTING FIRM)

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(i) Registration Statement (Form S-8 No. 333-36205) and related Prospectus pertaining to Zions Bancorporation Employee Investment Savings Plan, now known as the Zions Bancorporation Payshelter 401(k) and Employee Stock Ownership Plan;

(ii) Registration Statement (Form S-8 No. 333-205422) and related Prospectus pertaining to Zions Bancorporation 2015 Omnibus Incentive Plan;

(iii) Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 333-205422;

(iv) Registration Statement (Form S-8 No. 333-130222) and related Prospectus pertaining to Amegy Bancorporation 1989 Stock Option Plan, Amegy Bancorporation 1993 Stock Option and Incentive Plan, and Amegy Bancorporation Amended and Restated Non-Employee Directors Deferred Fee Plan; and

(v) Registration Statement (Form S-3 No. 333-195408) and related Prospectus pertaining to the offering of debt and equity securities of Zions Bancorporation;

of our reports dated February 25, 2019, with respect to the consolidated financial statements of Zions Bancorporation, National Association and subsidiaries and the effectiveness of internal control over financial reporting of Zions Bancorporation, National Association and subsidiaries included in this Annual Report (Form 10-K) of Zions Bancorporation and subsidiaries for the year ended December 31, 2018.

/s/ ERNST & YOUNG LLP

Salt Lake City, Utah

February 25, 2019

(Back To Top)

# Section 19: EX-31.1 (CERTIFICATION BY CEO)

EXHIBIT 31.1

CERTIFICATION
Principal Executive Officer

I, Harris H. Simmons, certify that:

1. I have reviewed this annual report on Form 10-K of Zions Bancorporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2019

/s/ Harris H. Simmons
Harris H. Simmons, Chairman and Chief Executive Officer

(Back To Top)

# Section 20: EX-31.2 (CERTIFICATION BY CFO)

EXHIBIT 31.2

CERTIFICATION
Principal Financial Officer

I, Paul E. Burdiss, certify that:

1. I have reviewed this annual report on Form 10-K of Zions Bancorporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2019

/s/ Paul E. Burdiss

Paul E. Burdiss, Executive Vice President and
Chief Financial Officer

(Back To Top)

# Section 21: EX-32 (CERTIFICATION BY CEO AND CFO)

EXHIBIT 32

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, the undersigned officers of Zions Bancorporation (the "Bank") hereby certify that, to the best of their knowledge, the Bank's Annual Report on Form 10-K for the year ended December 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

Date: February 25, 2019

/s/ Harris H. Simmons

| | |
|---|---|
| Name: | Harris H. Simmons |
| Title: | Chairman and Chief Executive Officer |

/s/ Paul E. Burdiss

| | |
|---|---|
| Name: | Paul E. Burdiss |
| Title: | Executive Vice President and Chief Financial Officer |

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Report or as a separate disclosure document.

(Back To Top)