

ZIONS BANCORPORATION, NATIONAL ASSOCIATION /UT/  
Form 10-K  
February 26, 2019

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ý 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  
(Internal Revenue  
(State or other jurisdiction of Service Employer  
incorporation or organization) Identification  
Number)

One South Main 84133  
Salt Lake City, Utah  
(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
Depository Shares each representing a 1/40 <sup>th</sup> ownership interest in a share of Series A Floating-Rate Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depository Shares each representing a 1/40 <sup>th</sup> ownership interest in a share of Series G Fixed/Floating-Rate Non-Cumulative Perpetual Preferred Stock	New York Stock Exchange
Depository Shares each representing a 1/40 <sup>th</sup> 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,	New York Stock Exchange

2028

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 <input checked="" type="checkbox"/>	Accelerated
filer <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>	
	Non-accelerated filer <input type="checkbox"/>	Smaller
reporting company <input type="checkbox"/>		

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

ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES

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ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES

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"),



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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





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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

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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.

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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.

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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.



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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;

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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



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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 data 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



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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.



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• 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](http://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.

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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.



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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



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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 associated 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.

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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.

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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



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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

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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.



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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



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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.

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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-chartered 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.

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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 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND

5. 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,

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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 <sup>1</sup>	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	

<sup>1</sup> 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.

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## ITEM 6. SELECTED FINANCIAL DATA

## FINANCIAL HIGHLIGHTS

(Dollar amounts in millions, except per share amounts)	2018/2017 Change	2018	2017	2016	2015	2014
<b>For the Year</b>						
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
<b>Per Common Share</b>						
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
<b>At Year-End</b>						
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
<b>Performance Ratios</b>						
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 %
<b>Capital Ratios at Year End</b>						
Equity to assets		11.0 %	11.6 %	12.1 %	12.6 %	12.9 %
Common equity tier 1 (Basel III), tier 1 common (Basel I) <sup>1</sup>		11.7 %	12.1 %	12.1 %	12.2 %	11.9 %
Tier 1 leverage <sup>1</sup>		10.3 %	10.5 %	11.1 %	11.3 %	11.8 %
Tier 1 risk-based capital <sup>1</sup>		12.7 %	13.2 %	13.5 %	14.1 %	14.5 %
Total risk-based capital <sup>1</sup>		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 %
<b>Selected Information</b>						
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 <sup>2</sup>			23.8	% 16.1	% 14.0	% 18.3	% 9.6	%
Capital distributed as a percentage of net earnings applicable to common shareholders <sup>3</sup>			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	

<sup>1</sup> For 2018, 2017, 2016, and 2015, ratios are based on Basel III. For 2014, ratios are based on Basel I.

<sup>2</sup> The common dividend payout ratio is equal to common dividends paid divided by net earnings applicable to common shareholders.

<sup>3</sup> This ratio is the common dividends paid plus share repurchases for the year, divided by net earnings applicable to common shareholders.



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## ZIONS BANCORPORATION, NATIONAL ASSOCIATION AND SUBSIDIARIES

## 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

	Year Ended December 31,		
(Dollar amounts in millions)	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		