ZIONS BANCORPORATION
A COLLECTION OF GREAT BANKS

Zions Bancorporation

2019 Stress Test Disclosure

June 21, 2019

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Introduction

Zions Bancorporation, N.A. (hereafter “Zions Bancorporation,” “the Bank,” or "Zions") is one of the nation's premier financial services companies with total assets of nearly $70 billion. Zions operates under local management teams and unique brands in 11 western states: Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah, Washington and Wyoming. The Bank is a national leader in Small Business Administration lending and public finance advisory services and is a consistent top recipient of Greenwich Excellence awards in banking. In addition, Zions is included in the S&P 500 and NASDAQ Financial 100 indices. Investor information and links to local banking brands can be accessed at zionsbancorp.com.

The following summary is a disclosure of the results of the stress test of Zions Bancorporation, N.A. Included is a discussion of the macroeconomic scenario and a summary of results. As a result of the successful completion of the restructuring and the action taken by FSOC to approve the application to be declassified as a systemically important financial institution, the Bank is no longer required to participate in the FRB’s CCAR process nor is required to publicly disclose the results of stress testing or the Bank’s proposed capital actions. However, the Bank intends to continue to release the results of its internal stress tests, published to its website, as stress testing is the Bank’s primary method of assessing capital adequacy. 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.

The results of the stress test indicate the Bank would maintain capital ratios at strong levels throughout the nine-quarter forecasting horizon. The stress test results reflect a set of forward-looking stress tests based upon hypothetical economic scenarios that are primarily developed by a highly reputable, third-party economic forecasting service, but which Zions adjusts select variables to test certain idiosyncrasies that may be unique to Zions. The assumed deterioration of the macroeconomic conditions is designed to be generally consistent with the actual macroeconomic deterioration experienced within the United States in the 2008-2010 timeframe, often referred to as the Great Recession. The estimated financial results of the stress test identify the hypothetical projected capital position of the Bank under highly stressed economic conditions in order to determine if there is sufficient capital to absorb losses and support operations.

The forecast incorporates capital issuance and distribution assumptions over the nine-quarter planning period which include (i) no issuances or redemptions of regulatory capital instruments after the first quarter, (ii) quarterly common stock dividend distributions that remain consistent with the level as of Q4 2018, and (iii) capital instrument payments that equal the previously stated expectations of dividends, interest, or principal payments.

The process, risks accounted for, and methodologies used in development of the test remain generally consistent with Bank statements in prior Dodd-Frank Act Stress Test (DFAST) disclosures; however, due to the differences between the scenarios in this exercise versus the prior years’ exercises, and due to upgrades and refinement to certain models as described later, the results are not necessarily comparable. The quantitative output included herein should not be viewed as forecasts of expected capital ratios or as a measure of the Bank's solvency or actual financial performance or condition.

Macroeconomic Scenario Description

Results contained in this report are based on a macroeconomic scenario developed with assistance from a globally recognized third party economic forecasting service. In this hypothetical scenario, there is a weakening of the U.S. economy, that while not as severe as the Federal Reserve's 2019 Supervisory Severely Adverse scenario, still presents a realistic level of stress that could be seen in significant economic downturns. Examples of key economic factors include a rise in the unemployment to 8.9% by Q3 2020, similar to the absolute change (measured in points) in the 2008-2009 downturn; real GDP experiences a peak-to-trough decline of 4.3%. In housing prices a peak-to-trough drop of 14.2% and commercial real estate prices a peak-to-trough drop of about 40%. Short-term Treasury rates decline to and remain near zero, while the 10-Year Treasury steadily declines to a trough of 0.84%. The spreads between both yields on corporate bonds and mortgage rates compared to the 10-year Treasury widen considerably, resulting in stressed financial conditions in corporate and real estate lending markets.

In previous annual stress tests, Zions was subject to regulatory guidance which instructed a bank's internal stress scenario to produce results which were worse than the bank's results for the Supervisory Severely Adverse scenario. As Zions is no longer required to follow this stipulation, the Bank studied its worst 9-quarter period for various macroeconomic variables. In the bank stress scenario, most key variables either match or are more punitive than historical peaks.

Macroeconomic Scenarios

	PQ0	PQ1	PQ2	PQ3	PQ4	PQ5	PQ6	PQ7	PQ8	PQ9	Peak-to-Trough Change[1]	Zions worst 9-quarter experience in credit crisis
Commercial Real Estate (Index)	306	290	276	264	245	214	199	188	190	193	-38.6%	-38.6%
Gross Domestic Product (Tril.)	18.8	18.8	18.6	18.4	18.2	18.0	18.0	18.0	18.1	18.2	-4.3%	-4.0%
Conventional Housing Price (Index)	432	427	414	402	393	384	377	373	370	370	-14.2%	-12.8%
West Texas Intermediate Crude Oil Price (USD per bbl)	62	55	45	42	39	35	33	32	31	31	-50.1%	-65.0%
10-Year Treasury (%)	3.1	2.8	2.5	2.2	1.9	1.4	1.0	0.8	1.1	1.3	-230 bps	-200 bps
Unemployment (%)	3.7	4.9	6.3	7.4	8.1	8.5	8.8	8.9	8.8	8.6	530 bps	530 bps

[1]10-Year Treasury and Unemployment are 9-quarter peak-to-trough change in basis points.

Key Updates to the Stress Testing Process Relative to the Prior Year's Test

This year, Zions used a model that further differentiated between construction and land development, and continued to separate Term CRE. In the 2008-2009 scenario, the construction and land development loan category was approximately split evenly between land development and construction loans. Today, that sub portfolio is approximately 10% land development and 90% vertical construction, making the disaggregation of the two types an important refinement of the stress testing process.

Additionally, in prior years' tests, Zions was required to produced results that were worse than the Federal Reserve's results. One key variance is in the prior year, Zions used a residential home price decline of 29%; in the actual Great Recession, such prices declined 13%, and in this exercise, Zions used a 14% decline, consistent with the third-party economic forecasting service's scenario.

Summary of Results

The following data are the stress test results generated by Zions. These results represent estimates of Zions' capital as of Q1 2021 under this scenario. **These estimates do not represent forecasts of expected results.** The economic assumptions used to arrive at these results involve an economic outcome that is significantly more adverse than current market expectations for the economy generally or for Zions specifically.

Projected Capital Ratios as of March 31, 2021 in the Bank Stress Scenario

	Actual as of Dec 31, 2018	Post-Stress as of March 31, 2021	Minimum ratio during projection period
Common Equity Tier 1 Ratio	11.7%	9.9%	9.8%
Tier 1 Capital Ratio	12.7%	10.9%	10.9%
Total Risk-Based Capital Ratio	13.9%	13.1%	13.0%
Tier 1 Leverage Ratio	10.3%	8.6%	8.6%

Projected loan losses by category
December 31, 2018 through March 31, 2021

	Stress Test Loss Rates, not annualized	Percentage of Loans (12/31/2018)	Actual Loss Rate 2009-2010	Percentage of loans (12/31/2008)
Loan Losses	2.4%	100%	5.6%	100%
Domestic closed-end first-lien mortgages	1.1%	16%	3.4%	9%
Domestic junior lien mortgages and home equity lines of credit	1.2%	6%	2.4%	6%
Commercial and Industrial (C&I)[1]	3.9%	26%	5.0%	26%
Commercial real estate (CRE)[1]	2.4%	41%	6.2%	55%
Term CRE	1.3%	19%	2.9%	19%
Land Development[2]	12.8%	<1%	22.0%	6%
Vertical Construction	9.8%	4%	11.0%	7%
Other CRE[3] (Owner-Occupied Commerical)	1.4%	17%	3.8%	23%
Credit card exposures	10.4%	<1%	9.6%	<1%
Other consumer	2.8%	1%	7.6%	1%
Other loans	1.4%	9%	1.2%	2%

Percentages may not sum due to rounding.

The total net loss rate of 2.4% compares to a 5.6% actual realized worst nine-quarter loss period, experienced as a result of the 2008-2009 recession. Zions believes it has greatly reduced its risk profile by almost completely eliminating land development loans, as compared to $3.8 billion of such loans at the beginning of the 2008 recession. Land development loans were responsible for nearly half of Zions' total cumulative net charge-offs during the worst nine-quarter loss period. Additionally, Zions has increased its concentration of low-risk residential mortgages that are generally characterized with conservative loan-to-value ratios and FICO credit scores, and Zions has increased its concentration of low-risk municipal loans. Historically, Zions' municipal lending has experienced virtually no defaults or loss. Zions has taken many other steps to reduce risk within its loan portfolio since 2008. Given these changes and risk reductions, Zions believes the 2019 modeled results are a useful estimate of hypothetical losses.

[1] All owner-occupied real estate loans are reported by Zions as C&I in its GAAP reporting. However, the owner-occupied loans are treated as Other CRE under stress test reporting standards.
[2] Land development represents 0.6% of the Bank's current loan portfolio.
[3] Other CRE is largely represented by Owner-Occupied C&I loans (which are recorded as C&I under non-stress testing reporting).

Forward-Looking Statement

This disclosure contains statements relating to a stress test and analysis undertaken by Zions Bancorporation, N.A. pursuant to regulatory requirements. The stress test results are based upon the hypothetical impact of assumed future economic conditions on Zions' capital, financial condition, and earnings under certain financial models. The stress test results are not intended to reflect Zions' expectations about actual future conditions. Factors that might cause Zions' understanding of the stress test results to change include detailed analyses of the multiple factors involved in the stress test and changes to the underlying economic assumptions that drive the stress test results. Accordingly, the statements contained in this disclosure are based on facts and circumstances as understood by management of Zions on the date of this disclosure, which may change in the future. Except as required by law, Zions disclaims any obligation to update any statements or to publicly announce the results of any revisions to any of the forward-looking statements included herein to reflect future events, developments, determinations, or understandings.

Bank Structure

On September 30, 2018, Zions 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, N.A. with the Securities and Exchange Commission (SEC) on July 24, 2018. In connection with completing the restructuring, the Bank 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 Office of the Comptroller of the Currency (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;
    - 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.