

## Fitch: Volcker Rule Exemption Benefits Zions Bancorporation

Written by Australian Business

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CHICAGO--( [BUSINESS WIRE](#) )--Zions Bancorporation (ZION) recently indicated that as a result of the issuance of an interim final rule (IFR) published by regulatory agencies last week, a majority of ZION's trust preferred securities (TruPS) collateralized debt obligations (CDOs) will remain permissible holdings under the final Volcker Rule, according to Fitch Ratings.

ZION had initially indicated it expected to take a \$629 million charge, which was pro forma for Dec. 15 balances, but using Sept. 30 securities valuations. However, despite the issuance of the IFR which would permit ZION to hold substantially all of its CDO securities, ZION has now decided to sell certain of its CDOs, which will result in an impairment charge of between \$135 million and \$145 million in the fourth quarter of 2013 (4Q'13), and will contribute to ZION's earnings loss in 4Q'13.

Fitch views the sale of some of ZION's CDO portfolio as a positive. In Fitch's opinion, this may allow the company to cancel its total return swap with Deutsche Bank, which had given the company relief on its risk-weighted assets calculation in regulatory capital ratios. This could save the company a significant expense in its quarterly earnings.

However, Fitch also notes that the presence of these TruPS CDO's has significantly absorbed management's attention at the parent level over the last few years, which could have otherwise been focused on driving the business forward. Furthermore, the CDOs have caused charges in each of the last two years, though likely at a much lower level than had ZION sold the securities in the 2009 - 2011 time period.

Given ZION's long- and short-term Issuer Default Ratings (IDRs) of 'BBB-/F3', which is likely near the lower end of ZION's ratings range, Fitch does not see an impact on the company's ratings given the charge noted above. However, given that the CDOs and related charges continue to weigh on already challenging earnings, ZION's Positive Rating Outlook may come under pressure when Fitch next reviews the company's ratings later in 2014.

Additional information is available at ' [www.fitchratings.com](http://www.fitchratings.com) '.

-- 'Global Financial Institutions Rating Criteria' (Aug. 15, 2012);

-- 'Rating FI Subsidiaries and Holding Companies' (Aug. 10, 2012).

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686181](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181)

Rating FI Subsidiaries and Holding Companies

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