FEDERAL RESERVE SYSTEM

First Security Corporation
Salt Lake City, Utah

Zions Bancorporation
Salt Lake City, Utah

Order Approving the Merger of Bank Holding Companies

First Security Corporation ("First Security"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Zions Bancorporation ("Zions") and thereby acquire the subsidiary banks of Zions.[1] First Security also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of Zions and thereby engage in certain permissible nonbanking activities.[2]

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[1] Zions controls the following subsidiary banks: Zions First National Bank, Salt Lake City, Utah; National Bank of Arizona, Phoenix, Arizona; California Bank & Trust, La Jolla, California ("Zions Bank-CA"); Vectra Bank Colorado, N.A., Denver, Colorado; Nevada State Bank, Las Vegas, Nevada; and The Commerce Bank of Washington, N.A., Seattle, Washington. First Security proposes to acquire Zions by merging Zions with and into First Security.

[2] The nonbanking activities in which Zions engages and for which First Security has sought Board approval under section 4 of the BHC Act are listed in Appendix A.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 Federal Register 48,839 (1999)).[3] The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.[4]

First Security, with total consolidated assets of $22.1 billion, is the 39th largest commercial banking organization in the United States, controlling less than 1 percent of the total assets of insured commercial banks in the United States ("total U.S. banking assets").[5] First Security's subsidiary banks operate in California, Idaho, Nevada, New Mexico, Oregon, Utah, and Wyoming. First Security is the largest commercial

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[3] Several commenters contend that First Security provided insufficient notice of the proposed transaction to the residents of certain Utah towns; residents of rural Arizona, Colorado, Nevada, and Washington; and residents of the states of Idaho and New Mexico. One commenter asks the Board to require First Security to publish notice of the transaction in every banking market affected by the transaction. The Board requires a bank holding company that proposes to merge with another bank holding company to publish notice of the proposal in a newspaper of general circulation in the communities containing the head office of the largest subsidiary bank of the applicant and the head office of each bank to be acquired by the applicant. 12 C.F.R. 262.3(b)(1)(ii)(E). The record indicates that First Security has complied with the Board's rules relating to publication.

[4] First Security and Zions also have acquired an option to acquire up to 19.9 percent of each other's voting shares. The options would expire on consummation of the proposal and would not be exercisable by First Security or Zions without Board approval.

[5] Asset data are as of June 30, 1999, and ranking data are as of December 31, 1998.

banking organization in Utah, controlling deposits of $5.0 billion, representing approximately 28.9 percent of total deposits in insured depository institutions in the state ("state deposits").[6] First Security also engages in a broad range of permissible nonbanking activities in the United States, including underwriting and dealing in debt and equity securities to a limited extent.

Zions, with total consolidated assets of $17.6 billion, is the 47th largest commercial banking organization in the United States, controlling less than 1 percent of total U.S. banking assets. The subsidiary banks of Zions operate in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Utah, and Washington. Zions is the second largest commercial banking organization in Utah, controlling deposits of approximately $3.4 billion, representing approximately 20 percent of state deposits. Zions also engages in a range of permissible nonbanking activities in the United States.

After consummation of the proposal, and after accounting for the proposed divestitures discussed in this order, First Security would become the 24th largest commercial banking organization in the United States, with total consolidated assets of approximately $38 billion, representing less than 1 percent of total U.S. banking assets, and First Security's subsidiary banks would operate in ten states. First Security also would remain the largest commercial banking organization in Utah,

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[6] Deposit data are as of June 30, 1998, adjusted to reflect subsequent mergers and acquisitions. In this context, depository institutions include commercial banks, savings banks, and savings associations.

controlling deposits of $6.4 billion, representing approximately 44 percent of state deposits.

Factors Governing Board Review of Transaction

The BHC Act sets forth the factors that the Board must consider when reviewing the formation of a bank holding company or the acquisition of banks. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the proposal; the convenience and needs of the community to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) ("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act.[7] In cases involving interstate bank acquisitions, the Board also must consider the concentration of deposits in the nation and relevant individual states on consummation of the proposal, as well as compliance with other provisions of section 3(d) of the BHC Act.

The Board has considered these factors in light of a comprehensive record that includes information provided by First Security, confidential supervisory and examination information, and publicly reported financial and other information. The Board also has considered information provided by public commenters in connection with the proposal.[8]

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[7] In cases involving a foreign bank, the Board also must consider whether the foreign bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

[8] The Board received comments from 17 public commenters.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of the bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of First Security is Utah,[9] and the subsidiary banks of Zions are located in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Utah, and Washington.[10] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[11] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

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[9] A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C). In addition to the interstate aspects of this proposal, this transaction involves the acquisition by First Security, whose home state is Utah, of a bank whose home state also is Utah. The Board does not believe that section 3(d) of the BHC Act applies to the acquisition by a bank holding company of a bank with the same home state as the bank holding company, except to the extent that the bank operates branches outside its home state. In this case, Utah law expressly states that bank affiliation transactions are not subject to any state-imposed deposit caps. The transaction in Utah also appears otherwise to comply with applicable Utah state law.

[10] For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch.

[11] First Security is adequately capitalized and adequately managed, as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). Each subsidiary bank of Zions has been in existence and operated continuously for at least the period of time required by applicable state law. See 12 U.S.C.

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Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant banking market. The BHC Act also prohibits the Board from approving a proposed bank acquisition that would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[12]

The proposed merger of First Security and Zions would combine two banking organizations that are among the largest providers of

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§ 1842(d)(1)(B). On consummation of the proposal, First Security and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent, or the appropriate percentage established by applicable state law, of total deposits held by insured depository institutions in the states (other than Utah, the home state of First Security, and Idaho) in which the insured depository institutions of First Security and Zions both operate. 12 U.S.C. § 1842(d)(2). First Security would control more than 30 percent of total deposits held by insured depository institutions in Idaho. The state deposit cap contained in section 3(d) does not apply, however, if a transaction that exceeds the cap is approved by the appropriate state bank supervisor. In this case, the Idaho state bank supervisor has approved the transaction, and, consequently, the state deposit cap contained in section 3(d) does not prevent the Board from approving the transaction. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

[12] 12 U.S.C. § 1842(c)(1).

banking services in a number of markets in the western United States. The Board has carefully analyzed the likely effect of the transaction on competition in each relevant banking market in light of all the facts of record, including information collected by the Federal Reserve System, information provided by First Security and other competitors in the relevant markets, information provided by the Department of Justice and other relevant agencies, and public information. The Board also has carefully considered public comments submitted on the competitive effects of the proposal. In particular, commenters contend that the merger would reduce competition for banking services and result in higher fees and reduced customer convenience. In addition, commenters claim that the merger would have substantial anticompetitive effects in the Salt Lake market, in other portions of Utah, and in other states.

A. Definition of Banking Markets

In order to determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties, which the courts have held is decided by reference to the relevant "line of commerce," or product market, and geographic market. Some commenters contend that the competitive analysis should focus on the impact of the merger on the markets for consumer credit, small business loans, and large-scale commercial banking. Commenters also suggest that the relevant geographic market for analyzing the merger should be regional or statewide.

Product Market. The Board and the courts consistently have recognized that the appropriate product market for analyzing the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[13] According to the Supreme Court, the clustering of banking products and services facilitates convenient access to these products and services, and vests the cluster with economic significance beyond the individual products and services that constitute the cluster.[14] Several studies support the conclusion that both businesses and households continue to seek this cluster of services.[15] Consistent with these precedents and studies, and on the basis of the facts of record in this case, the Board concludes that the cluster of banking products and services represents the appropriate product market for analyzing the competitive effects of this proposal.

Geographic Market. In defining the relevant geographic market, the Board consistently has sought to identify the area in which the cluster of banking products and services is provided by competing institutions and in which purchasers of the products and services seek to

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[13] See Chemical Banking Corporation, 82 Federal Reserve Bulletin 239 (1996) ("Chemical"), and the cases and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. See United States v. Philadelphia National Bank, 374 U.S. 321, 357 (1963) ("Philadelphia National"); accord United States v. Connecticut National Bank, 418 U.S. 656 (1974); United States v. Phillipsburg National Bank, 399 U.S. 350 (1969) ("Phillipsburg National").

[14] See Phillipsburg National, 399 U.S. at 361.

[15] Elliehausen and Wolken, Banking Markets and the Use of Financial Services by Households, 78 Federal Reserve Bulletin 169 (1992); Elliehausen and Wolken, Banking Markets and the Use of Financial Services by Small- and Medium-Sized Businesses, 76 Federal Reserve Bulletin 726 (1990).

obtain these products and services.[16] In applying these standards to bank acquisition proposals, the Board and the courts repeatedly have held that the geographic market for the cluster of banking products and services is local in nature.[17] In delineating the relevant geographic market in which to assess the competitive effects of a bank merger or acquisition, the Board reviews population density; worker commuting patterns; the usage and availability of banking products; advertising patterns of financial institutions; the presence of shopping, employment, healthcare, and other necessities; and other indicia of economic integration and the transmission of competitive forces among banks.[18]

In applying these factors and principles, the Board has employed a methodology that defines a retail banking market by identifying a market core as cities or counties that contain substantial employment opportunities and then grouping surrounding areas with significant patterns of commuting to and other indicia of economic integration with the market core. The criteria for adding communities to the market delineation become more stringent as the counties become more remote from the core.

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[16] See, e.g., Sunwest Financial Services, Inc., 73 Federal Reserve Bulletin 463 (1987); Pikeville National Corporation, 71 Federal Reserve Bulletin 240 (1985); Wyoming Bancorporation, 68 Federal Reserve Bulletin 313 (1982), aff'd 729 F.2d 687 (10th Cir. 1984).

[17] See Philadelphia National, 374 U.S. at 357; Phillipsburg National; First Union Corporation, 84 Federal Reserve Bulletin 489 (1998); Chemical; St. Joseph Valley Bank, 68 Federal Reserve Bulletin 673 (1982) ("St. Joseph").

[18] See Chemical; Crestar Bank, 81 Federal Reserve Bulletin 200, 201 n.5 (1995); Pennbancorp, 69 Federal Reserve Bulletin 548 (1983); St. Joseph.

Following this approach, the Board has identified 32 local banking markets in four states in which First Security and Zions compete.[19] As noted above, several commenters and the applicant question the appropriate definition of the Salt Lake City banking market. The definition of the appropriate market is not contested by commenters or the applicant in the other markets in which First Security and Zions compete. The Board has, therefore, paid special attention to defining the relevant geographic banking market in the Salt Lake City area.

B. Relevant Geographic Banking Market for the Salt Lake City Area

The three metropolitan areas of Salt Lake City, Ogden, and Provo-Orem are located in a corridor known as the Wasatch Front in north-central Utah. First Security contends that the appropriate geographic market for analyzing competition for banking services along the Wasatch Front is a single market that combines the Salt Lake City, Ogden, and Provo-Orem Ranally Metropolitan Areas ("RMA"s).[20] The Board has concluded,

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[19] A commenter argues that First Security and Zions have a monopoly on automated teller machines at the Salt Lake airport and in shopping malls in northern Utah. As discussed above, consistent with past practices and legal precedents, the Board defines the relevant product market to be the entire cluster of banking products and services and defines the relevant geographic market more broadly than a single building or commercial location.

[20] An RMA is a privately defined compact geographic area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.

First Security also argues that, if the Board determines not to combine the Salt Lake, Ogden, and Provo-Orem RMAs, the Board should, at a minimum, combine the Salt Lake and Ogden RMAs for purposes of its

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however, that there are three separate banking markets along the Wasatch Front: (i) the Salt Lake City banking market (which comprises the Salt Lake RMA and the towns of Fruit Heights, Grantsville, Kaysville, and Tooele); (ii) the Ogden banking market (which comprises the Ogden RMA, excluding the towns of Fruit Heights and Kaysville); and (iii) the Provo-Orem banking market (which comprises the Provo-Orem RMA).[21]

Numerous factors suggest that the Salt Lake City, Ogden, and Provo-Orem RMAs constitute separate banking markets. First, large distances and lack of continuous economic development separate the cities in the three RMAs. Ogden is approximately 36 miles north of Salt Lake City and 16 miles from the boundary of the Salt Lake market. Provo is approximately 46 miles south of Salt Lake City and 22 miles from the boundary of the Salt Lake market. Orem is approximately 38 miles south of Salt Lake City and 14 miles from the boundary of the Salt Lake market. The Board also notes that development between the Provo-Orem and Salt Lake RMAs is not continuous. Population density and commercial development is low along the interstate that connects Provo-Orem to Salt Lake, from Lehi, about seven miles south of the border between the Provo-Orem and Salt Lake RMAs, to Draper, about six miles north of the border. Although the development between the Ogden and Salt Lake RMAs is more

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competitive analysis. A commenter requests that the Board treat the Salt Lake City, Ogden, and Provo-Orem RMAs as separate banking markets.

[21] Rand McNally's forthcoming Commercial Atlas and Marketing Guide will exclude the towns of Fruit Heights and Kaysville from the Ogden RMA and include them in the Salt Lake City RMA.

continuous, the development is predominantly residential for several miles on either side of the border between the two RMAs.

Moreover, although the amount of commuting between the Salt Lake City RMA and the two other RMAs is increasing, overall commuting levels remain low. Commuting data for 1990 from the U.S. Bureau of the Census ("Census Bureau") indicate that 10.8 percent of workers residing in the Ogden RMA, and 7.2 percent of workers residing in the Provo-Orem RMA, commute to jobs in the Salt Lake market. More recent data on traffic flows between Ogden and Salt Lake and Provo-Orem and Salt Lake indicate that the commuting rates between the RMAs have increased since 1990. These more recent data suggest that approximately 13 percent of workers residing in the Ogden RMA and less than 10 percent of workers residing in the Provo-Orem RMA commuted to jobs in the Salt Lake market in 1998.

Other facts do not indicate that banking forces are transmitted throughout the Wasatch Front at this time. Rather, the three RMAs appear to function as separate banking markets. Based on all the facts of record, the Board believes that the relevant banking markets for considering the effects of the proposal along the Wasatch Front are the three separate banking markets surrounding the Salt Lake City, Ogden, and Provo-Orem RMAs.

C. Competitive Analysis in Salt Lake City and Other Banking Markets with Divestitures

As part of the proposal, First Security has committed to divest 64 branches, which account for more than $2 billion in deposits, in 21 markets in order to reduce the potential for adverse effects on competition.[22] After accounting for the proposed divestitures, consummation of the proposal would be consistent with Board precedent and the Department of Justice Merger Guidelines ("DOJ Guidelines")[23] in at least 16 of the 21 markets: Bonners Ferry, Burley, Montpelier, and Twin Falls, Idaho; and Box Elder, Cedar City, Delta, Ephraim, Logan, Moab,

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[22] With respect to each market in which First Security has committed to divest offices to mitigate the anticompetitive effects of the proposal, First Security has committed to execute, before consummation of the acquisition of Zions, sales agreements for the proposed divestitures with a purchaser determined by the Board to be competitively suitable, and to complete the divestitures within 180 days of consummation of the acquisition of Zions. First Security also has committed that, if it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and will instruct the trustee to sell the branch(es) promptly to one or more alternative purchasers acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Board 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Board 484 (1991). First Security also has committed to submit to the Board, before consummation of the acquisition of Zions, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

[23] See 49 Federal Register 26,823 (June 29, 1984). Under the DOJ Guidelines, a market in which the post-merger Herfindahl-Hirschman Index ("HHI") is less than 1000 points is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

Monticello, Park City, Price, Richfield, Roosevelt, and Vernal, Utah.[24] In light of these divestitures, the transaction would result in no increase in the HHI in the Bonners Ferry and Montpelier, Idaho; and Delta, Ephraim, Moab, Monticello, Price, Richfield, Roosevelt, and Vernal, Utah, banking markets. In addition, numerous competitors would remain in most of these banking markets after consummation of the proposal.

In the five remaining banking markets involving divestitures, including the Salt Lake City market, consummation of the proposal could increase the level of market concentration to levels that exceed the DOJ Guidelines. The Board has conducted a careful review of the competitive effects of the proposal in these markets, and considered whether other factors either mitigate the competitive effects of the proposal in the markets or indicate that the proposal would have a significantly adverse effect on competition in any of the markets. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of concentration and size of increase in market concentration.[25]

Salt Lake City, Utah. First Security operates the largest of 21 depository institutions in the Salt Lake banking market, and controls $2.7 billion in deposits, representing 33.6 percent of total deposits in depository institutions in the market ("market deposits").[26] Zions operates

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[24] These banking markets are discussed in Appendix D.

[25] See NationsBank Corporation, 84 Federal Reserve Bulletin 129 (1998).

[26] Market concentration calculations include deposits of thrift institutions at 50 percent, except as discussed in the order. The Board previously has indicated that thrift institutions have become, or have the potential to

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the second largest depository institution in the market, and controls $1.7 billion in deposits, representing 20.6 percent of market deposits. On a combined basis, First Security and Zions would control approximately 54.2 percent of market deposits, and the HHI would increase approximately 1388 points to 3204, an amount that would exceed the DOJ Guidelines in a highly concentrated market.

In order to address the potential anticompetitive effects of the proposal in the Salt Lake banking market, First Security proposes to divest 17 branches in the market, with $682 million in deposits (representing 8.4 percent of market deposits), to an out-of-market banking organization or an in-market banking organization that currently controls less than 6 percent of market deposits. This divestiture represents almost one-half of the originally proposed increase in market share and would allow a new entrant to become immediately competitive in the market or significantly enhance the market share of a small in-market competitor.

In reviewing the competitive effects of the proposal in the Salt Lake banking market and the adequacy of the proposed divestiture, the Board also has taken into account the structure of the market. In particular, the Board has considered that one savings association operating in the market provides a range of consumer, mortgage, and other banking products

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become, significant competitors of commercial banks. See Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

and services and, through an affiliate, serves as a significant source of commercial loans in the market. Competition from this savings association closely approximates competition from a commercial bank. On this basis, the Board concludes that deposits controlled by this organization should be weighted at 100 percent in calculating market concentration under the DOJ Guidelines.[27]

Credit unions also are particularly active competitors in the Salt Lake market.[28] Although Utah credit unions are membership organizations, numerous credit unions in the Salt Lake market are open to all persons in the market or to a substantial majority of the population of the market.

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[27] The Board previously has indicated that it may consider the competitiveness of a savings association at a level greater than 50 percent of the savings association's deposits, if appropriate. See Banknorth Group, Inc., 75 Federal Reserve Bulletin 703 (1989). After the proposed merger and divestiture, and after taking into account the deposits controlled by this thrift, First Security would control 45.9 percent of market deposits, and the HHI would increase by no more than 713 points to a level that would not exceed 2529 points.

[28] A commenter contends that the Board should not include the deposits of any credit union in its antitrust analysis.

First Security also contends that the Board should include certain Utah-chartered industrial loan companies in the Board's structural analysis of the Salt Lake market. A commenter argues that the Board should not include these companies in its analysis. The Board's use of a 200-point increase in the HHI as a threshold in its competitive analysis, rather than a lower level, reflects in part the competitive influence of financial institutions other than banks. Because industrial loan companies in Utah are primarily credit card institutions, take few demand deposits, and generally do little lending in the local market, the Board has determined not to include these companies more specifically in calculating market concentration in this case.

Significantly, these credit unions operate through street-level branches accessible to the public. On the basis of the activities, open membership, branch operations, size, number, and market shares of credit unions in the market,[29] the Board concludes that credit unions exert a competitive influence that mitigates in part the potential anticompetitive effects of the proposal.[30]

First Security argues that, for purposes of evaluating the competitive factors in the Salt Lake market, the Board should exclude certain categories of deposits that First Security and Zions contend overstate their competitive strength in the Salt Lake market.[31] First Security contends that these deposits either are unavailable for lending in the Salt Lake market or represent deposits that are raised outside the market or in a national market and are available to support out-of-market banking activities. On this basis, First Security argues that inclusion of these deposits in

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[29] Credit unions account for approximately 21 percent of total deposits in the market.

[30] Thirty-four credit unions compete with banks in the market. Although these credit unions are a competitive force, the Board has not considered them to be full competitors of banks because they do not provide the full range of banking products and services. If the Board were to include the deposits of these 34 credit unions in the market and weight them at 50 percent, the HHI for the Salt Lake market would increase by no more than 571 points to 2036, and First Security would have a post-merger market share of approximately 41 percent.

[31] One commenter contends that the Board should not exclude any such deposits.

calculations of the market share indices for First Security and Zions in Salt Lake distorts the indices.[32]

The Board generally has not adjusted its market share calculations in previous cases to exclude out-of-market deposits because of the difficulty of making comparable adjustments for other firms in the market and because out-of-market deposits are typically available to support lending and other banking activities at any location. The Board has under very limited circumstances adjusted market indices to account for certain types of government deposits, however, where special conditions limited the use of the deposits. In this case, the Board continues to believe, for the same reasons, that it is generally not appropriate to exclude categories of deposits.

This case has unique circumstances, however, that reduce the difficulties of making an adjustment for a limited number of out-of-market deposits. The comparability problem is less severe in this case than in past cases reviewed by the Board because First Security and Zions are the only two large banking organizations headquartered in the Salt Lake market that appear to have generated significant out-of-market deposits.[33]

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[32] The categories of deposits that First Security proposes to exclude are deposits relating to mortgage escrow accounts, correspondent banking accounts, certificates of deposit ("CD"s) in amounts greater than $100,000, brokered CDs, trust accounts, and out-of-market commercial and retail accounts.

[33] Firms ranked third through seventh in the market are large organizations headquartered in other states that would be unlikely to have any out-of-market deposits booked in the Salt Lake market. The largest firm, other than First Security and Zions, with its headquarters in the market controls only 2.5 percent of market deposits.

The Board continues to believe that deposits maintained by a banking organization in a specific market, including deposits generated outside the market, represent an important measure of the banking organization's capacity to compete in that market.[34] First Security and Zions have generated some deposits from out-of-market sources, however, that are subject to legal or other restrictions that constrain the organizations' ability to use the deposits to support their general banking activities. These deposits have been generated from various governments and municipalities outside Utah, involve escrow accounts for mortgages made outside Utah, or represent correspondent banking accounts with institutions outside Utah. With each of these deposit types, First Security and Zions are limited by law, contract, or duration of relationship in their ability to use the deposits for any activity other than supporting the deposit account. Because of the limited availability of these deposits and because the data suggest that making adjustments for First Security and Zions would not distort market calculations for other competitors in the Salt Lake market, the Board has taken into account as a mitigating factor this limited set of out-of-market deposits in this case.[35]

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[34] Exclusion of out-of-market deposits from an analysis of the competitive strength of an organization in the market where the deposits are maintained would incorrectly suggest that these deposits are unavailable to support the organization's activities in the market. It would also lead to the anomaly that certain types of out-of-market deposits are not counted in any part of the competitive analysis even though these deposits are available to support banking activities anywhere.

[35] If government trust, mortgage escrow, and correspondent banking deposits originated by First Security and Zions outside Utah but held in the

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The presence of other bank competitors also is an important factor in this market. At least 20 depository institutions would remain in the market after consummation of the proposal, including four bank holding companies and one savings association holding company that each have more than $80 billion in assets. The second and third largest depository institutions in the market are among the largest commercial banking organizations in the United States. These organizations would control approximately 10.2 percent and 8.2 percent, respectively, of market deposits.

In addition, the Salt Lake market is attractive for entry by out-of-market competitors. According to the Census Bureau, the population of the Salt Lake City RMA increased 14.5 percent from 1990 to 1998, which was significantly higher than the national rate. The increase in employment between 1990 and 1998 was 28 percent, which was over twice the national rate. Moreover, in 1998, the Salt Lake City unemployment rate was 3.9 percent, which was below the national rate of 4.5 percent.

Based on all the facts of record, the Board concludes that the considerations discussed above, including the proposed divestitures, the number and strength of competitors in the market, the strong presence of bank-like credit unions, the distortional effects of out-of-market deposits, the attractiveness of the market for entry by out-of-market competitors, and other factors mitigate the potentially adverse competitive effects in the Salt Lake City banking market.

Salt Lake market were excluded from market calculations, the HHI for the market would increase by no more than 523 points to a level that does not exceed 1927.

Ogden, Utah. First Security operates the largest of 13 depository institutions in the Ogden banking market, and controls $450 million in deposits, representing 36.8 percent of market deposits. Zions operates the fourth largest depository institution in the market, and controls $116 million in deposits, representing 9.5 percent of market deposits. First Security proposes to divest three branches in the market, with $77 million in deposits (representing approximately 6.3 percent of market deposits). After the proposed merger and divestiture, First Security would continue to operate the largest depository institution in the market, controlling 39.9 percent of market deposits, and the HHI would increase by less than 393 points to a level that does not exceed 2382.[36]

Several factors suggest that the increase in market concentration in the Ogden market, as measured by the HHI, does not reflect a significantly adverse effect on competition in the market. At least twelve depository institutions would remain in the market after consummation of the proposal, including four large multistate banking organizations other than First Security. In addition, at least two banking organizations other than First Security would each control more than 10 percent of market deposits, and five banking organizations other than First Security would each control more than 5 percent of market deposits, after consummation. As noted above, First Security has committed to divest branches controlling

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[36] As in the Salt Lake market and for the same reasons, competition from one savings association operating in the Ogden market closely approximates competition from commercial banks in the market. Accordingly, the Board has weighted deposits controlled by this organization at 100 percent in calculating market concentration under the DOJ Guidelines.

6.3 percent of market deposits. The proposed divestiture would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Ogden banking market has characteristics that make it attractive for entry. The population of the market increased by 16 percent from 1990 to 1998, which was almost double the national rate. Employment in the market increased by 27 percent during the same time period, more than double the national rate. One firm entered the Ogden market de novo in 1997.

Moreover, as in the case of the Salt Lake banking market, credit unions have a significant presence in the Ogden market, and many credit unions are uniquely open and accessible to all or almost all persons in the market. In particular, eight credit unions have membership rules based on geography or other characteristics that allow a substantial majority of the residents in the market to be members, and maintain street-level branches that are accessible to the public.[37]

Provo-Orem, Utah. First Security operates the second largest of 14 depository institutions in the Provo-Orem banking market, and controls $535 million in deposits, representing 29.9 percent of market deposits. Zions operates the largest depository institution in the market, and controls $536 million in deposits, representing 30 percent of market deposits. First Security proposes to divest eight branches in the market, with

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[37] If the deposits of these credit unions were included in market share calculations at 50 percent, the HHI for the Ogden market would increase by no more than 207 points to a level that does not exceed 1612.

$359 million in deposits (representing approximately 20.1 percent of market deposits) to an out-of-market banking organization or an in-market banking organization that currently controls 2.4 percent or less of market deposits. After the proposed merger and divestiture, First Security would operate the largest depository institution in the market, controlling 39.8 percent of market deposits, and the HHI would increase by less than 292 points to a level that does not exceed 2383.[38]

In reviewing the competitive effects of the proposal in this market, the Board has considered that a significant portion of the HHI increase resulting from the proposed transaction is caused by the fact that the divested branches control a large amount of deposits. If First Security were to divest the branches, which represent approximately 20 percent of market deposits and two-thirds of the deposits being acquired by First Security in the market, as a unit to an out-of-market firm, the proposal would be consistent with the DOJ Guidelines.[39] The Board believes that sale of these branches substantially mitigates the potential anticompetitive effects of the proposal by helping to create a viable competitor to First Security in the market. Sale of these branches to an in-market competitor that currently has

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[38] As in the Salt Lake market and for the same reasons, competition from one savings association operating in the Provo-Orem market closely approximates competition from commercial banks in the market. Accordingly, the Board has weighted deposits controlled by this organization at 100 percent in calculating market concentration under the DOJ Guidelines.

[39] If First Security were to divest the relevant Provo-Orem branches to an out-of-market firm, the HHI would increase by 195 points to 2286.

only a nominal market share would have similar benefits to an out-of-market sale.

At least 13 depository institutions would remain in the market after consummation of the proposal, including four large multistate banking organizations other than First Security. At least three banking organizations other than First Security would control more than 10 percent of market deposits after consummation. As noted above, First Security's proposed divestiture of approximately 20 percent of market deposits would either add a strong new competitor or would enhance substantially the competitive presence of a smaller competitor.

In addition, the Provo-Orem banking market has characteristics that make it attractive for entry. The population of the market increased by 21 percent from 1990 to 1998. Recent entries by depository institutions also confirm that the Provo-Orem banking market is attractive for entry. Three firms have entered the market de novo since 1993.

Moreover, as in the case of the Salt Lake banking market, credit unions have a significant presence in the Provo-Orem market, and many credit unions are uniquely open and accessible to all or almost all persons in the market. In particular, ten credit unions have membership rules based on geography or other characteristics that allow a substantial majority of the residents in the market to be members, and maintain street-level branches that are accessible to the public.[40]

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[40] If the deposits of these credit unions were included in market share calculations at 50 percent, the HHI for the Provo-Orem market would increase by no more than 254 points to a level that does not exceed 2082. Credit unions without the characteristics discussed above control

(continued...)

St. George, Utah. First Security operates the second largest of 11 depository institutions in the St. George banking market, and controls $241 million in deposits, representing 39 percent of market deposits. Zions operates the largest depository institution in the market, and controls $245 million in deposits, representing 39.6 percent of market deposits. First Security proposes to divest four branches in the market, with $221 million in deposits (representing approximately 35.7 percent of market deposits). After the proposed merger and divestiture, First Security would operate the largest depository institution in the market, controlling 42.8 percent of market deposits, and the HHI would increase by less than 325 points to a level that does not exceed 3471.

As in the Provo-Orem market, the Board has considered that a significant portion of the HHI increase in the St. George market is caused by the fact that the divested branches control a large amount of deposits. In fact, in this market, First Security proposes to divest almost all of the deposits held by Zions in the market, with the result that the market share controlled by First Security would increase by less than 4 percent as a result of the proposed merger and divestiture. If First Security were to divest the branches, which represent approximately 36 percent of the market, as a unit to an out-of-market firm, the proposal would be consistent with the DOJ Guidelines.[41] The Board believes that sale of these branches substantially mitigates the potential anticompetitive effects of the proposal by helping to

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approximately 12 percent of market deposits.

[41] If First Security were to divest the relevant St. George branches to an out-of-market firm, the HHI would increase by 25 points to 3171.

create a viable competitor to First Security in the market. The sale of these branches to an in-market competitor that currently has only a nominal market share would have benefits similar to an out-of-market sale.

At least ten depository institutions would remain in the market after consummation of the proposal, including two large multistate banking organizations other than First Security. In addition, the St. George banking market has characteristics that make it attractive for entry. The population of the market increased by 69 percent from 1990 to 1998, making the St. George area one of the fastest-growing regions by population in Utah. Recent entries by depository institutions also confirm that the St. George banking market is attractive for entry. Five firms have entered the market de novo since 1993.

Moreover, as in the case of the Salt Lake banking market, credit unions have a significant presence in the St. George market, and many credit unions are uniquely open and accessible to all or almost all persons in the market. In particular, five credit unions have membership rules based on geography or other characteristics that allow a substantial majority of the residents in the market to be members, and maintain street-level branches that are accessible to the public.[42]

Lewiston, Idaho. First Security operates the largest of eight depository institutions in the Lewiston banking market, and controls $115 million in deposits, representing 27.4 percent of market deposits.

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[42] If the deposits of these credit unions were included in market share calculations at 50 percent, the HHI for the St. George market would increase by no more than 250 points to a level that does not exceed 2709.

Zions operates the seventh largest depository institution in the market, and controls $17 million in deposits, representing 4.1 percent of market deposits. First Security proposes to divest one branch in the market, with $9.7 million in deposits (representing approximately 2.3 percent of market deposits). After the proposed merger and divestiture, First Security would continue to operate the largest depository institution in the market, controlling 29.1 percent of market deposits, and the HHI would increase by less than 214 points to a level that does not exceed 2128.

Several mitigating factors suggest that the increase in market concentration in the Lewiston market, as measured by the HHI, does not reflect a significantly adverse effect on competition in the market. At least seven depository institutions would remain in the market after consummation of the proposal, including two large multistate banking organizations other than First Security. In addition, at least 2 banking organizations other than First Security would control more than 10 percent of market deposits and at least 5 banking organizations other than First Security would control more than 5 percent of market deposits after consummation. As noted above, First Security has committed to divest one branch controlling 2.3 percent of market deposits. The proposed divestiture would either add a new competitor or would enhance the competitive presence of a smaller competitor.

In addition, the Lewiston banking market has characteristics that make it attractive for entry. The population of the market increased by 13 percent from 1990 to 1998. Moreover, two firms have entered the Lewiston market de novo since 1995.

D. Competitive Analysis of Banking Markets without Divestitures.

Consummation of the proposal without divestitures would be consistent with Board precedent and the DOJ Guidelines in ten of the remaining 11 banking markets: Los Angeles and Riverside-San Bernardino, California; Blackfoot, Boise, Idaho Falls, Moscow-Pullman, Ontario, and Pocatello, Idaho; and Carson City and Reno, Nevada.[43]

Las Vegas, Nevada. Consummation of the proposal would exceed the DOJ Guidelines as measured by the HHI in the Las Vegas, Nevada, banking market. First Security operates the fourth largest of 19 depository institutions in the Las Vegas banking market, and controls $879 million in deposits, representing 9.1 percent of market deposits. Zions operates the third largest depository institution in the market, and controls $1.1 billion in deposits, representing 11.2 percent of market deposits. After consummation of the proposal, First Security would operate the third largest depository institution in the market, controlling 20.3 percent of market deposits, and the HHI would increase by 203 points to 2096.

Numerous mitigating factors suggest that the increase in market concentration in the Las Vegas market, as measured by the HHI, does not reflect a significantly adverse effect on competition in the market. At least 18 depository institutions would remain in the market after consummation of the proposal. Several large multistate banking organizations, other than First Security, would compete in this market, including one organization that would remain the largest depository institution in the market with

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[43] These banking markets are discussed in Appendix C.

30.2 percent of market deposits, and another organization that would remain the second largest depository institution in the market with 26.5 percent of market deposits.

In addition, the Las Vegas banking market has characteristics that make it attractive for entry. The population of Las Vegas increased 56 percent from 1990 to 1998, which was more than six times the national rate. Employment increased 51 percent between 1990 and 1998, which was more than four times the national rate of 12 percent. During the last decade, the Las Vegas unemployment rate has been consistently low compared with the national rate. Recent entries by depository institutions also confirm that the Las Vegas banking market is attractive for entry. Eight of the 19 depository institutions in the market entered de novo since 1994. Three depository institutions have entered by acquisition in the past five years, and another group has an application to organize a de novo bank pending before the state banking authority.

The Board believes that these considerations and other factors mitigate the potentially adverse competitive effects of the proposal in the Las Vegas banking market.

E. Views of Other Agencies and Conclusion

The Department of Justice also has conducted a detailed review of the expected competitive effects of the proposal. The Department of Justice has advised the Board that, in light of the proposed divestitures, consummation of the proposal would not be likely to have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing all the facts of record, including public comments on the competitive effects of the proposal, and for the reasons discussed in the order and appendices, the Board concludes that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any of the 32 markets in which First Security and Zions both compete, or in any other relevant banking market. Accordingly, based on all the facts of record and subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Financial, Managerial and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of the companies and banks involved in the proposal and other supervisory factors in light of all the facts of record, including public comments.[44] In evaluating the financial and managerial factors, the Board has reviewed relevant reports of examination and other supervisory information prepared by the Federal Reserve Bank of San Francisco ("Reserve Bank") and other federal financial supervisory agencies. The Board also has reviewed information submitted by First Security about the programs that First Security and Zions have implemented

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[44] Several commenters express concerns about the financial and managerial resources of First Security and Zions. The comments include contentions that the financial strength of Vectra Bank Colorado, N.A., has declined since its acquisition by Zions and that the merger would add an unresponsive layer of management above Vectra Bank. Another commenter alleges that an officer of Zions may have violated the insider trading rules of the Securities and Exchange Commission ("SEC"), and that comment was sent to the SEC.

to prepare their systems for the Year 2000, and confidential examination and supervisory information assessing the efforts of the two banking organizations to ensure Year 2000 readiness, both before and after consummation of the proposed transaction.

In evaluating financial factors in expansion proposals by banking organizations, the Board consistently has considered capital adequacy to be especially important.[45] The Board expects banking organizations contemplating expansion to maintain strong capital levels substantially in excess of the minimum levels specified in the Board's Capital Adequacy Guidelines. The Board notes that First Security and Zions and their subsidiary banks are well capitalized and would remain so on consummation of the proposal. The Board has considered that the proposed merger is structured as a stock-for-stock transaction and would not increase the debt service requirements of the combined organization.

The Board also has carefully considered the managerial resources of First Security and Zions and the record of the federal banking agencies in supervising these organizations in light of all the facts of record, including confidential examination and other supervisory information.[46] Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the

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[45] See Banc One Corporation, 84 Federal Reserve Bulletin 961 (1998).

[46] Commenters express dissatisfaction with an alleged lack of diversity in the current staff and management of First Security and Zions. The racial and gender composition of staff and management are not factors the Board is authorized to consider under the BHC Act.

organizations involved are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[47]

Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments received on the effect the proposal would have on the communities to be served by the combined organization.[48]

A. CRA Performance Examinations

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the

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[47] Commenters note that First Security and Zions are defendants in several pending judicial proceedings. There has been no adjudication of wrongdoing by First Security or Zions in any of these matters, and each matter currently is pending before a forum that can provide the plaintiffs adequate redress if their allegations can be sustained.

[48] One commenter opposes the proposal based in part on an unfavorable experience with First Security Bank in a particular business dealing and on a belief that the merger would reduce the amount of capital available to small businesses. The Board has reviewed this comment in light of all the facts of record, including the records of First Security and Zions of assisting to meet the credit needs of small businesses. The Board also has provided a copy of this comment to the OCC, the primary federal supervisor of First Security Bank.

relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[49]

All of First Security's subsidiary banks received either "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, First Security Bank, N.A., Ogden, Utah ("First Security Bank"), which represents approximately 76 percent of the assets controlled by First Security and is First Security's lead bank, received an "outstanding" rating from the OCC, as of June 30, 1996 (the "First Security Examination").[50] All the subsidiary banks of Zions also received either "outstanding" or "satisfactory" ratings at their most recent CRA examinations. In particular, Zions First National Bank, Salt Lake City,

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[49] See Interagency Questions and Answers Regarding Community Reinvestment, 64 Federal Register 23,618 and 23,641 (1999).

[50] First Security Bank of New Mexico, N.A., Albuquerque, New Mexico, received an "outstanding" CRA performance rating from the OCC, as of December 6, 1995; and First Security Bank of Nevada, Las Vegas, Nevada, received a "satisfactory" CRA rating from the Reserve Bank, as of January 11, 1999. Although First Security Bank of California, N.A., West Covina, California, has not yet been examined for CRA performance, its two predecessor banks received "satisfactory" CRA performance ratings from their appropriate federal financial supervisory agency: California State Bank, West Covina, California, received a "satisfactory" CRA performance rating from the FDIC, as of July 22, 1996; and Marine National Bank, Irvine, California, received a "satisfactory" CRA performance rating from the OCC, as of September 6, 1996.

Utah ("Zions Bank"), which is Zions' lead bank and represents approximately 37 percent of the assets controlled by Zions, received an "outstanding" rating from the OCC at its most recent examination, as of July 25, 1997 (the "Zions Examination").[51]

Examiners found no evidence of prohibited discrimination or other illegal credit practices at First Security Bank or Zions Bank and identified no violations of fair lending laws. Examiners also reviewed the assessment areas delineated by the depository institutions and found that these assessment areas were reasonable and did not arbitrarily exclude low- to moderate-income ("LMI") areas.

B. First Security's CRA Performance Record

In the First Security Examination, examiners found that the bank demonstrated an excellent response to the primary credit needs of its

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[51] Nevada State Bank received an "outstanding" CRA performance rating from the FDIC, as of May 17, 1999; National Bank of Arizona received a "satisfactory" rating from the OCC, as of May 3, 1999; Vectra Bank received an "outstanding" CRA rating from the Federal Reserve Bank of Kansas City, as of September 30, 1996; and The Commerce Bank of Washington, N.A., received a "satisfactory" CRA rating from the OCC, as of June 25, 1996. Although Zions Bank-CA has not yet been examined for CRA performance, all its predecessor banks received "satisfactory" CRA performance ratings from their appropriate federal financial supervisory agency: Grossmont Bank, San Francisco, California, received a "satisfactory" CRA performance rating from the FDIC, as of August 28, 1996; First Pacific National Bank, Escondido, California, received a "satisfactory" CRA performance rating from the OCC, as of October 31, 1996; Sumitomo Bank of California, San Francisco, California, received a "satisfactory" CRA performance rating from the FDIC, as of September 12, 1996; and Regency Bank, Fresno, California, received a "satisfactory" CRA performance rating from the Reserve Bank, as of February 16, 1999.

communities.[52] Examiners noted that the bank responded to its communities' credit needs by providing conventional and government-insured real estate mortgages, home improvement loans, farm loans, small business loans, and government-guaranteed student loans. Examiners also concluded that the bank originated a high volume of loans in its delineated communities. From January 1, 1995, through June 30, 1996, the period covered by the examination ("assessment period"), First Security Bank extended 93 percent (by dollar) of its mortgage loans and 82 percent (by dollar) of its small business and farm loans in its delineated communities.

Moreover, examiners noted that the bank's loan-to-deposit ratio was 106 percent, as of June 30, 1996, which was substantially above the peer bank's average of 90 percent; and that the bank extended a significant volume of mortgage loans relative to the bank's resources, market competition, and the credit needs of the community. Examiners indicated that the bank originated more than $275 million of government-insured mortgages in Utah and Idaho during the assessment period.[53] In addition, during 1997 and 1998, First Security Bank made more than 2,160 HMDA-reportable loans, totaling approximately $117 million, to LMI borrowers in

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[52] In the First Security Examination, examiners also considered the loan originations of Crossland Mortgage Company, a subsidiary of First Security Bank.

[53] First Security Bank is an active participant in the Utah and Idaho Housing Finance Agency programs. In both states, the bank is the largest participating lender by dollar and number of loans. During the assessment period, the bank originated $85 million through the Utah Housing Finance Agency and $42 million through the Idaho Housing Finance Agency.

the Metropolitan Statistical Area ("MSA") portions of its Utah assessment areas, representing approximately 27 percent of all HMDA-reportable loans made by First Security in such areas.

Examiners also noted that the bank's volume of small business and farm loans originated during the assessment period was high. As of June 30, 1996, the bank had outstanding $700 million in small business loans; small business and farm loans represented more than 10 percent of the bank's total outstanding loan portfolio. The bank also made 385 Small Business Administration ("SBA") loans, totaling $53.2 million, during the assessment period, and had preferred lender status with the SBA. In addition, during 1997 and 1998, First Security Bank originated approximately 5,800 small business and small farm loans, totaling approximately $560 million, in its Utah assessment areas; and more than 80 percent of the small business loans of First Security Bank were made to businesses with less than $1 million in annual revenues, and approximately 22 percent were made to businesses in LMI census tracts.

The First Security Examination also indicated that the bank demonstrated a strong commitment to direct and indirect community development. Examiners stated that the bank had taken a leadership role in 19 community development projects from September 1994 to June 1996, which resulted in the construction of 706 new LMI housing units in Idaho and Utah. In Idaho, the bank was one of ten financial institutions participating in the Idaho Community Reinvestment Corporation ("ICRC"), a statewide organization providing housing for LMI persons. Through the ICRC, the bank participated in nine housing projects, which provided a total of 478 new housing units for LMI persons, and provided $2.9 million in loans. The bank also made $3.4 million of debt and equity investments in an

80-unit, low-income housing complex for elderly residents of Salt Lake City and $1.8 million in debt and equity investments in the Oak Park Project, which was developing 142 affordable housing units in Boise, Idaho, in cooperation with the Idaho Housing Agency and the City of Boise.

C. Zions' CRA Performance Record

The Zions Examination reported that Zions Bank had a strong record of ascertaining the credit needs of its communities, including LMI neighborhoods, and had implemented an effective program to meet those credit needs. Examiners noted that the bank had originated a significant volume of mortgage, consumer, and small business loans in its delineated community.[54]

Zions Bank originated more than 11,500 HMDA-reportable loans, totaling approximately $1 billion, in its delineated community during the assessment period.[55] In 1996, 89 percent of its mortgage loans (88 percent by volume) were originated in the bank's delineated community. Examiners indicated that the bank also offered affordable housing products to help meet the needs of LMI individuals, including the Federal National Mortgage Association ("FNMA")'s "Good Neighbor" Loan Program, several Department of Housing and Urban Development Native American loan programs, the FNMA Rural Housing Direct Leveraging Program, the

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[54] The lending activities of Zions Mortgage Company, at the time a subsidiary of Zions Bank, were also considered by the examiners who conducted the Zions Examination.

[55] The Zions Examination reviewed Zions Bank's activities during 1995, 1996, and through July 25, 1997. During this period, the bank's assessment area consisted of the entire state of Utah.

FNMA Fixed Term Community Home Improvement Loan, and the FNMA Fixed Term Home Improvement Loan. Down payments and underwriting criteria for these programs were generally more flexible than for conventional mortgage products.[56] Examiners further noted that Zions Bank was an active participant in Federal Housing Administration, Veterans Administration, Utah Housing Finance Authority, and other government-insured real estate lending programs. In addition, examiners indicated that the bank had been a significant provider of mortgage loans to LMI individuals.

Zions Bank has remained an active mortgage lender to LMI individuals since the Zions Examination. During 1997 and 1998, Zions Bank made more than 2,140 HMDA-reportable loans, totaling approximately $146 million, to LMI borrowers in the MSA portions of the bank's Utah assessment area, representing approximately 23 percent of all HMDA-reportable loans made by Zions Bank in such areas.

In 1996, Zions Bank originated approximately 1,960 small business loans, totaling $199 million. Small business loans represented 26 percent (by number) and 46 percent (by dollar volume) of the total commercial loans originated by the bank during 1996. Seventy-eight percent of the bank's 1996 small business loans were in amounts of less than $100,000. In addition, more than 98 percent of the bank's small business loans in 1996 were originated in its delineated community. In 1996, Zions

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[56] Zions Bank also initiated a consumer loan program designed for LMI persons. The program extends loan maturities by up to 12 months and employs more flexible underwriting standards.

Bank originated 583 farm loans, totaling $27.4 million. Of these loans, 542 (93 percent by number) and $24.4 million (89 percent by dollar volume) were to small farms. The bank also was an active participant in SBA lending programs. Examiners noted that the percentage of the bank's small business loans in LMI census tracts compared favorably with the distribution of LMI census tracts in the bank's community.

Zions Bank also has extended a significant number of small business and small farm loans since the Zions Examination. First Security has indicated that, during 1997 and 1998, Zions Bank originated approximately 13,500 small business and small farm loans, totaling $1.38 billion; and from August 1, 1997, to December 31, 1998, more than 76 percent of the small business loans of the bank were in amounts of $100,000 or less, and approximately 26 percent were made to businesses in LMI census tracts.

The Zions Examination also concluded that Zions Bank was a leader in providing community development loans, investments, grants, and services to its delineated community. Examiners noted, in particular, that the bank made approximately $800,000 in loans and committed more than $700,000 in low-income housing tax credits to Blue Mountain Dine, a project designed to build 20 modular housing units for elderly low-income Native Americans not residing on the reservation. The bank also invested $389,000 in Crimson Court and $468,000 in Washington Mill, two low-income housing projects in Provo and Park City, Utah, respectively. In addition, the bank had invested $4 million through mid-1997 in Wasatch Venture Capital Corporation, a small business investment company formed by the bank to provide loans to start-up companies.

First Security and Zions have banks that operate in various other states, including Arizona, California, Colorado, Nevada, New Mexico, Oregon, Washington, and Wyoming. The banking assets of First Security and Zions in these states are small compared to their total banking assets.[57] Examinations of the CRA performance of the subsidiary banks of First Security and Zions operating in these states found no evidence of prohibited discrimination or other illegal credit practices.[58]

D. <u>HMDA Data</u>

The Board also has considered First Security's and Zions' lending record in light of comments regarding the HMDA data of the organizations' subsidiaries.[59] The 1997 and 1998 data indicate that First Security Bank originated a larger percentage of its housing-related loans in the MSA portions of its Utah assessment area to LMI individuals and

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[57] Although First Security and Zions have a sizable presence in California, both companies are relatively new entrants to the state. First Security entered the state in 1998, and Zions entered the state in 1997. Their California bank subsidiaries have not yet been examined for CRA performance.

[58] Examiners found substantive violations of HMDA's reporting provisions at Sumitomo Bank of California in 1996, but Zions did not acquire Sumitomo Bank until 1998.

[59] Some commenters note that First Security made a lower percentage of its home purchase and refinance loans in minority census tracts than did Utah lenders in the aggregate. Another commenter states that the disparity ratios for home purchase loan denials of Zions Bank-CA with respect to low-income and minority applicants in one particular county significantly exceeded those of its competitors.

residents of minority census tracts than did Utah lenders in the aggregate.[60] The 1997 and 1998 data also indicate that Zions Bank denied a smaller percentage of housing-related applications received from African Americans, LMI individuals, and residents of LMI census tracts than did lenders in the aggregate in Utah. The 1998 data further demonstrate that Zions Bank-CA originated a larger percentage of its housing-related loans in its assessment area to LMI individuals than did California lenders in the aggregate.

In other respects, however, the data may reflect certain disparities in the rates of loan applications, originations, and denials by racial group and income level.[61] The Board is concerned when the record of an institution indicates disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only

[60] The aggregate represents the cumulative lending for all institutions that have reported HMDA data in a given market.

[61] For instance, First Security Bank's housing-related loans to African Americans in its Utah assessment area in 1998, as a percentage of its total mortgage lending in such area, was slightly below the aggregate, and the percentage of Zions Bank's housing-related loans originated in minority and LMI census tracts in its Utah assessment area in 1998 also was below the aggregate.

limited information about the covered loans.[62] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not adequately assisted in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information. As noted above, examiners found no evidence of prohibited discrimination or other illegal credit practices at the subsidiary banks of First Security and Zions at their most recent completed examinations. Examiners reviewed the fair lending policies and procedures of the banks and found the policies and procedures to be comprehensive and appropriate for monitoring compliance with fair lending laws. The Board also has considered the HMDA data in light of First Security's and Zions' lending records, which show that the organizations' subsidiary banks assist significantly in helping to meet the credit needs of their communities, including LMI areas.

E. Branch Closings

A commenter expresses concern about branch closings in connection with the proposal. First Security has indicated that there may be some branch closings as a result of the proposed merger, which it expects to be limited to locations in California, Idaho, Nevada, and Utah where both

[62] The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

First Security and Zions currently operate branches. First Security has submitted preliminary and confidential information concerning branches that are under consideration for closure in the four states, but has indicated that the plans are subject to change.

The Board has carefully considered the public comments regarding the potential branch closings in light of all the facts of record, including the preliminary branch closing information provided by First Security. The Board also has carefully considered the branch closing policies of First Security and Zions and the record of the institutions in opening and closing branches, as well as the review by examiners of the organizations' implementation of their policies.

The branch closing policies of First Security Bank and Zions Bank require that the bank's board of directors approve all branch closings. Both branch closing policies also require that the bank, before any decision to close a branch, consider whether the closing would have an adverse impact on the community and explore alternative solutions to the branch closing. The policies also require the bank to solicit the views of community leaders to the extent that the closing may have an adverse community impact.

Examiners reviewed the branch closing policies and records of opening and closing branches of First Security Bank and Zions Bank during the First Security Examination and the Zions Examination. Examiners of First Security Bank found that the bank had a good record of opening and closing branches in Idaho and Utah. Examiners of Zions Bank noted that the bank had not closed an office since 1990 and concluded that the bank had a very good record of opening offices, and that the bank's branches were readily accessible to all segments of its delineated community.

The Board also notes that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate federal regulatory agency at least 30 days before closing a branch.[63] The law does not authorize federal regulators to prevent the closing of any branch. Any branch closings resulting from the proposed transaction will be considered by the appropriate federal supervisor at the next CRA examination of the relevant subsidiary bank.

To permit the Board to monitor the effectiveness of the branch closing policies of First Security and Zions, the Board conditions its action on this proposal on the requirement that First Security report to the Federal Reserve System semiannually during the two-year period after consummation all branch closings, including consolidations, that occur as a result of this proposal. For branches closed in LMI census tracts, First Security should indicate the proximity of the closed branch to the closest branch of First Security and the steps that First Security took to mitigate the impact of the branch closure.

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[63] Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Interagency Policy Statement on Branch Closings (64 Federal Register 34,844 (1999)), requires that a bank provide the public with at least 30 days notice and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

F. Conclusion on Convenience and Needs

The Board has carefully considered all the facts of record,[64] including the public comments received, responses to the comments, and the CRA performance records of the subsidiary banks of First Security and Zions, in reviewing the proposal's effect on the convenience and needs of the communities to be served by the combined organization.[65] In connection with the proposal, First Security has indicated that it does not intend to make any changes in the CRA policies or programs of either organization's banks.

Based on a review of the entire record, and for the reasons discussed above, the Board concludes that convenience and needs

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[64] One commenter requests that the Board condition its approval of the proposal on First Security's making certain community reinvestment and other commitments. The Board notes that the CRA requires only that, in considering an acquisition proposal, the Board carefully review the actual record of performance of the relevant depository institutions in helping to meet the credit needs of their communities. The CRA does not require depository institutions to make pledges as to future performance under the CRA. The Board also notes that the future activities of First Security's subsidiary banks will be reviewed by the appropriate federal supervisors in future performance examinations, and such CRA performance records will be considered by the Board in any subsequent applications by First Security to acquire a depository institution.

[65] Several commenters express concern that the merger of First Security and Zions would result in the loss of jobs. The effect of a proposed transaction on employment in a community is not among the factors included in the BHC Act, and the convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and the Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. See Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996).

considerations, including the CRA performance records of the subsidiary banks of First Security and Zions, are consistent with approval of the proposal.[66]

Nonbanking Activities

First Security also has filed notice under section 4(c)(8) of the BHC Act to acquire the nonbank subsidiaries of Zions. Through these subsidiaries, First Security would engage in a number of nonbanking activities, including acting as a general insurance agent; acting as a principal, agent, or broker for credit-related insurance; and data processing and transmission activities.[67] The Board has determined by regulation or order that the types of activities for which notice has been provided are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[68]

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[66] A few commenters express concern that the proposal would result in the loss of jobs. The effect of a proposed transaction on employment in a community is not among the factors included in the BHC Act, and the convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. See Wells Fargo & Company, 82 Federal Reserve Bulletin 445, 457 (1996).

[67] First Security currently engages in insurance activities grandfathered under section 4(c)(8)(G) of the BHC Act (12 U.S.C. § 1843(c)(8)(G)) ("Exemption G"). First Security would be the legal entity surviving the merger with Zions and, based on the structure of the transaction and all of the other facts of this case, the Board has determined that First Security would retain its exemption to engage in Exemption G activities after consummation of the proposed merger.

[68] See 12 C.F.R. 225.28(b)(11)(i) and (vii) and (14).

In order to approve a notice under section 4(c)(8) of the BHC Act, the Board also must determine that the acquisition of the nonbank subsidiaries of Zions and the performance of the proposed activities by First Security are a proper incident to banking; that is, the Board must determine that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[69]

As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources. For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition by First Security of the nonbanking subsidiaries of Zions. Each of the markets in which the nonbanking subsidiaries of First Security and Zions compete is unconcentrated, and there are numerous providers of each of these services. As a result, the Board expects that consummation of the proposal would have a de minimus effect on competition for these services. Based on all the facts of record, the Board concludes that it is unlikely that significantly adverse competitive effects would result from the nonbanking acquisitions proposed in this transaction.

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[69] 12 U.S.C. § 1843(c)(8).

First Security has indicated that the proposed transaction would create a stronger organization with enhanced earnings potential. First Security also has represented that the combined organization would have an increased capacity to serve its customers' credit needs and would be able to provide retail and business customers a broader range of products and services with a more efficient and comprehensive delivery system. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act.

The Board also believes that the conduct of the proposed nonbanking activities within the framework of Regulation Y and Board precedent is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, and that any adverse effects would be outweighed by the public benefits of the proposal, such as increased customer convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public interest factors that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Conclusion

Based on the foregoing, the Board has determined that the transaction should be, and hereby is, approved.[70] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes.[71]

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[70] Several commenters requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on a notice to acquire nonbanking companies if there are disputed issues of material fact that cannot be resolved in some other manner. 12 U.S.C. § 1843(c)(8); 12 C.F.R. 225.25(a)(2). The Board has considered carefully these commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and they submitted written comments that have been considered carefully by the Board in acting on the proposal. The commenters' requests fail to demonstrate why their written comments do not present their evidence adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the requests for a public meeting on the proposal are denied.

[71] A number of commenters have requested that the Board delay action or extend the comment period on the proposal. The Board has accumulated a significant record in this case, including reports of examination, supervisory information, public reports and information, and considerable public

(continued...)

The Board’s approval is specifically conditioned on compliance by First Security with all the commitments made in connection with this application and notice, including the commitments discussed in this order, and the conditions set forth in this order and the above-noted Board regulations and orders. The Board’s approval of the nonbanking aspects of the proposal also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board’s authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board’s regulations and orders issued thereunder. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of the subsidiary banks of Zions may not be consummated before the fifteenth calendar day after the effective date of this

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comment. In the Board’s view, for the reasons discussed above, commenters have had ample opportunity to submit their views and, in fact, have provided substantial written submissions that have been considered carefully by the Board in acting on the proposal. Moreover, the BHC Act and Regulation Y require the Board to act on proposals submitted under those provisions within certain time periods. Based on a review of all the facts of record, the Board concludes that the record in this case is sufficient to warrant Board action at this time, and that further delay of consideration of the proposal, extension of the comment period, or denial of the proposal on the grounds discussed above or on the basis of informational insufficiency is not warranted.

order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors,[72] effective December 13, 1999.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

[72] Voting for this action: Chairman Greenspan and Governors Kelley, Meyer, and Gramlich. Absent and not voting: Vice Chairman Ferguson.

APPENDIX A

Nonbanking Subsidiaries of Zions Bancorporation

(1) Zions Life Insurance Company, Salt Lake City, Utah, and thereby engage in underwriting credit-related insurance, in accordance with section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i));

(2) Zions Insurance Agency, Inc., Salt Lake City, Utah, and thereby engage in insurance agency activities, in accordance with section 225.28(b)(11)(vii) of Regulation Y (12 C.F.R. 225.28(b)(11)(vii)); and

(3) Cash Access, Inc., Salt Lake City, Utah, and thereby engage in data processing and transmission activities through the leasing, installing, and servicing of automated teller machines, in accordance with section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

APPENDIX B

Banking Markets in which First Security
and Zions Directly Compete

A. California Banking Markets

Los Angeles:	Los Angeles Ranally Metropolitan Area ("RMA") and the towns of Rancho Santa Margarita and Rosamond.
Riverside-San Bernardino:	Riverside-San Bernardino RMA and the towns of Banning, Beaumont, and Nuevo.

B. Idaho Banking Markets

Blackfoot:	The town of Blackfoot.
Boise:	Boise RMA and the towns of Emmett, Homedale, Marsing, Parma, and Wilder.
Bonners Ferry:	The town of Bonners Ferry.
Burley:	The towns of Albion, Burley, Paul, and Rupert.
Idaho Falls:	Idaho Falls RMA and the towns of Shelley and Ririe.
Lewiston	Lewiston RMA.
Montpelier	The towns of Montpelier and Paris.
Moscow-Pullman:	The town of Moscow, Idaho; and the towns of Colfax, Palouse, and Pullman, Washington.
Ontario:	The towns of Fruitland, New Plymouth, Payette, and Weiser, Idaho; and the towns of Nyssa, Ontario, and Vale, Oregon.
Pocatello:	Pocatello RMA.

Twin Falls:	The towns of Buhl, Filer, Gooding, Hagerman, Hazelton, Jerome, Kimberly, Richfield, Shoshone, Twin Falls, and Wendell.

C. Nevada Banking Markets

Carson City:	The towns of Carson City, Dayton, Gardnerville, Minden, and Virginia City.
Las Vegas:	Las Vegas RMA.
Reno:	Reno RMA and the town of Fernley.

D. Utah Banking Markets

Box Elder:	The towns of Brigham City and Trementon.
Cedar City:	The towns of Cedar City and Parowan.
Delta:	The towns of Delta and Fillmore.
Ephraim:	The towns of Ephraim, Gunnison, Manti, Mt. Pleasant, and Moroni.
Logan:	Logan RMA and the towns of Lewiston and Richmond, Utah; and the town of Preston, Idaho.
Moab:	The town of Moab.
Monticello:	The towns of Blanding and Monticello, Utah; and the town of Dove Creek, Colorado.
Ogden:	Ogden RMA, excluding the towns of Kaysville and Fruit Heights.
Park City:	The towns of Coalville, Heber City, Kamas, and Park City.
Price:	The towns of Castle Dale, Helper, Huntington, and

	Price.
Provo-Orem:	Provo-Orem RMA.
Richfield:	The towns of Monroe, Richfield, and Salina.
Roosevelt:	The towns of Altamont, Duchesne, and Roosevelt.
Salt Lake City:	Salt Lake City RMA and the towns of Fruit Heights, Grantsville, Kaysville, and Tooele.
St. George:	The towns of Hildale, Hurricane, Santa Clara, Springdale, St. George, and Washington, Utah; and the towns of Mesquite and Overton, Nevada.
Vernal:	The town of Vernal.

APPENDIX C

Certain Banking Markets with No Divestitures

A. California Banking Markets

Los Angeles – First Security is the 25th largest depository institution in the market, controlling deposits of $838 million, representing less than 1 percent of market deposits. Zions is the tenth largest depository institution in the market, controlling deposits of $2.1 billion, representing approximately 1.5 percent of market deposits. On consummation of the proposal, First Security would become the ninth largest depository institution in the market, controlling deposits of $3 billion, representing 2.1 percent of market deposits. The HHI would increase 1 point to 1028.

Riverside-San Bernardino – First Security is the 23rd largest depository institution in the market, controlling deposits of $32 million, representing less than 1 percent of market deposits. Zions is the 28th largest depository institution in the market, controlling deposits of $23 million, representing less than 1 percent of market deposits. On consummation of the proposal, First Security would become the 19th largest depository institution in the market, controlling deposits of $55 million, representing less than 1 percent of market deposits. The HHI would increase less than 1 point to 1610.

B. Idaho Banking Markets

Blackfoot – First Security is the second largest depository institution in the market, controlling deposits of $38 million, representing approximately 26.9 percent of market deposits. Zions is the sixth largest depository institution in the market, controlling deposits of $4 million, representing approximately 2.5 percent of market deposits. On consummation of the proposal, First Security would remain the second largest depository institution in the market, controlling deposits of $42 million, representing 29.4 percent of market deposits. The HHI would increase 135 points to 3254.

Boise – First Security is the second largest depository institution in the market, controlling deposits of $855 million, representing approximately 27.8 percent of market deposits. Zions is the 13th largest depository institution in the market, controlling deposits of $9 million, representing less than 1 percent of market deposits. On consummation of the proposal, First Security would remain the second largest depository institution in the market, controlling deposits of $864 million, representing 28.1 percent of market deposits. The HHI would increase 17 points to 2671.

Idaho Falls – First Security is the second largest depository institution in the market, controlling deposits of $196 million, representing approximately 25.4 percent of market deposits. Zions is the tenth largest depository institution in the market, controlling deposits of $6 million, representing less than 1 percent of market deposits. On consummation of the proposal, First Security would remain the second largest depository institution in the market, controlling deposits of $202 million, representing 26.2 percent of market deposits. The HHI would increase 39 points to 2022.

Moscow-Pullman – First Security is the second largest depository institution in the market, controlling deposits of $85 million, representing approximately 20.7 percent of market deposits. Zions is the tenth largest depository institution in the market, controlling deposits of $9 million, representing approximately 2.3 percent of market deposits. On consummation of the proposal, First Security would remain the second largest depository institution in the market, controlling deposits of $94 million, representing 23 percent of market deposits. The HHI would increase 94 points to 1575.

Ontario – First Security is the second largest depository institution in the market, controlling deposits of $78 million, representing approximately 16.6 percent of market deposits. Zions is the seventh largest depository institution in the market, controlling deposits of $26 million, representing 5.6 percent of market deposits. On consummation of the proposal, First Security would remain the second largest depository institution in the market, controlling deposits of $105 million, representing 22.2 percent of market deposits. The HHI would increase 185 points to 1747.

Pocatello – First Security is the largest depository institution in the market, controlling deposits of $129 million, representing approximately 36.1 percent of market deposits. Zions is the tenth largest depository institution in the market, controlling deposits of $2 million, representing less than 1 percent of market deposits. On consummation of the proposal, First Security would remain the largest depository institution in the market, controlling deposits of $131 million, representing 36.5 percent of market deposits. The HHI would increase 32 points to 2523.

C. Nevada Banking Markets

Carson City – First Security is the third largest depository institution in the market, controlling deposits of $109 million, representing approximately 12.6 percent of market deposits. Zions is the seventh largest depository institution in the market, controlling deposits of $62 million, representing approximately 7.1 percent of market deposits. On consummation of the proposal, First Security would remain the third largest depository institution in the market, controlling deposits of $171 million, representing 19.7 percent of market deposits. The HHI would increase 179 points to 2024.

Reno – First Security is the seventh largest depository institution in the market, controlling deposits of $105 million, representing approximately 3.5 percent of market deposits. Zions is the fourth largest depository institution in the market, controlling deposits of $395 million, representing approximately 13.2 percent of market deposits. On consummation of the proposal, First Security would become the fourth largest depository institution in the market, controlling deposits of $500 million, representing 16.7 percent of market deposits. The HHI would increase 93 points to 2095.

APPENDIX D

Certain Banking Markets with Divestitures

A. Idaho Banking Markets

Bonners Ferry – First Security is the largest depository institution in the market, controlling deposits of $40 million, representing approximately 50.2 percent of market deposits. Zions is the third largest depository institution in the market, controlling deposits of $18 million, representing approximately 22.7 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $18 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $40 million, representing 50.2 percent of market deposits. The HHI would remain unchanged at 3769.

Burley – First Security is the second largest depository institution in the market, controlling deposits of $83 million, representing approximately 23 percent of market deposits. Zions is the fifth largest depository institution in the market, controlling deposits of $31 million, representing 8.6 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $31 million, to an out-of-market firm or a competitively suitable in-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the second largest depository institution in the market, controlling deposits of $83 million, representing 23 percent of market deposits. The HHI would increase by no more than 93 to no more than 2149.

Montpelier – First Security is the largest depository institution in the market, controlling deposits of $36 million, representing approximately 53.6 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $22 million, representing 33.6 percent of market deposits. First Security proposes to divest two branches, controlling deposits of $22 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $36 million, representing 53.6 percent of market deposits. The HHI would remain unchanged at 4164.

Twin Falls – First Security is the largest depository institution in the market, controlling deposits of $369 million, representing approximately 40.1 percent of market deposits. Zions is the seventh largest depository institution in the market, controlling deposits of $18 million, representing approximately 2 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $5 million, to an out-of-market firm or a competitively suitable in-market firm. On consummation of the proposal, and after accounting for the proposed divestiture, First Security would remain the largest depository institution in the market, controlling deposits of $382 million, representing 41.5 percent of market deposits. The HHI would increase no more than 131 points to no more than 2487.

B. Utah Banking Markets

Box Elder – First Security is the largest depository institution in the market, controlling deposits of $123 million, representing approximately 54 percent of market deposits. Zions is the fourth largest depository institution in the market, controlling deposits of $19 million, representing 8.5 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $19 million, to an out-of-market firm or a competitively suitable in-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $123 million, representing 54 percent of market deposits. The HHI would increase no more than 162 points to no more than 3553.

Cedar City – First Security is the second largest depository institution in the market, controlling deposits of $76 million, representing approximately 34.5 percent of market deposits. Zions is the third largest depository institution in the market, controlling deposits of $46 million, representing 20.8 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $39 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the second largest depository institution in the market, controlling deposits of $84 million, representing 37.9 percent of market deposits. The HHI would increase 118 points to 3739.

Delta – First Security is the largest depository institution in the market, controlling deposits of $54 million, representing approximately 66.3 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $28 million, representing 33.7 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $28 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $54 million, representing 66.3 percent of market deposits. The HHI would remain unchanged at 5529.

Ephraim – First Security is the largest depository institution in the market, controlling deposits of $29 million, representing approximately 24.7 percent of market deposits. Zions is the third largest depository institution in the market, controlling deposits of $27 million, representing 23.4 percent of market deposits. First Security proposes to divest two branches, controlling deposits of $29 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would become the third largest depository institution in the market, controlling deposits of $27 million, representing 23.4 percent of market deposits. The HHI would remain unchanged at 2213.

Logan – First Security is the largest depository institution in the market, controlling deposits of $224 million, representing approximately 34.1 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $204 million, representing 31 percent of market deposits. First Security proposes to divest five branches, controlling deposits of $177.8 million, to an out-of-market firm or a competitively suitable in-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $250 million, representing 38.1 percent of market deposits. The HHI would increase no more than 172 points to no more than 2564.

Moab – First Security is the largest depository institution in the market, controlling deposits of $50 million, representing approximately 70.3 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $21 million, representing 29.7 percent of market deposits. First Security proposes to divest two branches, controlling deposits of $21 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $50 million, representing 70.3 percent of market deposits. The HHI would remain unchanged at 5826.

Monticello – First Security is the largest depository institution in the market, controlling deposits of $36 million, representing approximately 55.9 percent of market deposits. Zions is the third largest depository institution in the market, controlling deposits of $14 million, representing 21.7 percent of market deposits. First Security proposes to divest two branches, controlling deposits of $14 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $36 million, representing 55.9 percent of market deposits. The HHI would remain unchanged at 4096.

Park City – First Security is the largest depository institution in the market, controlling deposits of $156 million, representing approximately 42.4 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $111 million, representing 30 percent of market deposits. First Security proposes to divest four branches, controlling deposits of $106.6 million, to an out-of-market firm or a competitively suitable in-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $161 million, representing 43.5 percent of market deposits. The HHI would increase no more than 176 points to no more than 3095.

Price – First Security is the second largest depository institution in the market, controlling deposits of $57 million, representing approximately 24.8 percent of market deposits. Zions is the largest depository institution in the market, controlling deposits of $105 million, representing 45.8 percent of market deposits. First Security proposes to divest three branches, controlling deposits of $57 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would become the largest depository institution in the market, controlling deposits of $105 million, representing 45.8 percent of market deposits. The HHI would remain unchanged at 3054.

Richfield – First Security is the second largest depository institution in the market, controlling deposits of $37 million, representing approximately 24.9 percent of market deposits. Zions is the largest depository institution in the market, controlling deposits of $85 million, representing 56.6 percent of market deposits. First Security proposes to divest two branches, controlling deposits of $37 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would become the largest depository institution in the market, controlling deposits of $85 million, representing 56.6 percent of market deposits. The HHI would remain unchanged at 4007.

Roosevelt – First Security is the largest depository institution in the market, controlling deposits of $61 million, representing approximately 60.5 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $40 million, representing 39.5 percent of market deposits. First Security proposes to divest 2 branches, controlling deposits of $40 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would remain the largest depository institution in the market, controlling deposits of $61 million, representing 60.5 percent of market deposits. The HHI would remain unchanged at 5220.

Vernal – First Security is the largest depository institution in the market, controlling deposits of $65 million, representing approximately 50.5 percent of market deposits. Zions is the second largest depository institution in the market, controlling deposits of $64 million, representing 49.5 percent of market deposits. First Security proposes to divest one branch, controlling deposits of $65 million, to an out-of-market firm. On consummation of the proposal, and after accounting for the proposed divestitures, First Security would become the second largest depository institution in the market, controlling deposits of $64 million, representing 49.5 percent of market deposits. The HHI would remain unchanged at 5001.