



August 2, 2010

Dear Valued Customer,

After several consecutive quarters of these letters describing current economic conditions with words like “challenging” and “difficult,” I had hoped by now I would be able to start my letter with comments about an improving economy. Unfortunately, the country and California continue to experience uncertain economic trends. Despite this, during the past quarter California Bank & Trust achieved respectable profitability while strengthening both its capital ratios and liquidity reserves. It looks like it will continue to take some time before robust economic growth and strong job formation materialize. Even so, we plan to demonstrate an ongoing pattern of reliable financial results as economic trends play out.

Continued Profitability:

Net income for the first half of 2010 was \$24 million. The second quarter showed higher net income of \$14 million compared to \$10 million in the first quarter. While pre-tax income was similar in both quarters, the effective tax rate declined in the second quarter.

Capital and Liquidity:

Management continues to focus on improving capital and liquidity during these uncertain times. The bank’s Tier 1 Risk-based Capital ratio stands at 11.46% compared to 11.11% at March 31, 2010, and 9.59% at June 30, 2009. Total Risk-based Capital was 12.73%, 12.38%, and 10.84% on those dates, respectively.

Over the past year, the bank has built up substantial on-balance sheet liquidity in the form of deposits at the Federal Reserve Bank of about \$1 billion at June 30, up from about \$800 million at March 31. One year ago, the bank was purchasing funds in the amount of about \$300 million. Hence, liquidity reserves have improved by more than \$1 billion during the past 12 months which means CB&T is even better equipped to meet your banking needs.

Asset Quality Trends:

Non-performing asset levels remain stable at 3.36% of loans compared to 3.26% at March 31, and 2.89% at June 30, 2009. Net charge-offs were 1.93% of loans (annualized) for the first six months of 2010 compared to 1.44% in the first half of 2009. The bank also increased its Allowance for Loan and Lease Losses to 3.41% compared to 2.15% one year ago.

Zions Bancorporation Earnings Release:

Our parent company, Zions Bancorporation, recently announced earnings for the second quarter of 2010. The earnings release may be found at www.zionsbancorporation.com. While the results reflected a loss for the quarter due primarily to continued elevated credit costs, the consolidated company experienced a modest decline in non-performing lending-related assets, an improvement in core pre-tax earnings, and material improvements in capital and liquidity.

In summary, this quarter California Bank & Trust strengthened its balance sheet to ensure that we are well-positioned to contend with on-going economic challenges and to meet your banking needs. Our experienced bankers are always ready to work with you.

We thank you for your continued business and support.

Respectfully,

A handwritten signature in black ink, appearing to read 'David Blackford'.

David Blackford
President and CEO

CALIFORNIA BANK & TRUST

2010 2ND QUARTER FINANCIAL RESULTS

(August 2, 2010)

2nd Quarter 2010 Significant Items

- Net Income for the six months ending June 30, 2010, was \$24.2 million compared to \$35.8 million for the same period of 2009.
- Loan balances declined 1.1% during the quarter on relatively weak demand for new loans, while FDIC supported assets declined by 8.2%.
- Short-term investments increased by 22.6% due to the decline in loans and FDIC supported assets.
- The Provision for Loan Losses was \$82.5 million the first six months of 2010, compared to \$92.4 million for the year-ago period.
- Annualized net charge-offs as a percentage of average loans were 1.93% in 2010, compared to 1.44% in the first half of 2009.
- The Tier 1 Risk-Based Capital Ratio increased to 11.46% as of June 30, 2010, compared to 11.11% as of March 31, 2010, and 9.59% as of June 30, 2009.

Performance Ratios ¹	Six Months Ended		Three Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net Interest Margin	4.82%	4.79%	4.88%	4.78%
Operating Efficiency Ratio ²	54.1%	45.4%	55.3%	44.1%
Cash Return on Average Assets ²	0.49%	0.83%	0.57%	0.76%
Cash Return on Average Equity ²	5.2%	9.5%	6.0%	8.5%
Net Charge-offs/Average Loans ³	1.93%	1.44%	1.92%	2.02%

Balance Sheet Amounts / Ratios	June 30, 2010	March 31, 2010	June 30, 2009
Total Loans	\$8,506,716	\$8,694,728	\$8,481,032
Nonperforming Loans + OREO/Loans + OREO ³	3.36%	3.26%	2.89%
Allowance for Credit Losses ⁴ /Loans ³	3.41%	3.34%	2.15%
Total Deposits	\$9,664,130	\$9,743,957	\$8,516,484
Loan-to-Deposit Ratio	88.0%	89.2%	99.6%

Capital Ratios	June 30, 2010	March 31, 2010	June 30, 2009
Tangible Equity/Tangible Assets	9.49%	9.31%	9.83%
Tier 1 Leverage	9.57%	9.46%	10.52%
Tier 1 Risk-based Capital	11.46%	11.11%	9.59%
Total Risk-based Capital	12.73%	12.38%	10.84%

Credit Rating <i>(Ratings are current as of 07/30/10)</i>	Moody's	Fitch	S&P
California Bank & Trust			
Long-Term Issuer	Ba3	BBB	-
Certificate of Deposits	Ba2	BBB+	-
Zions Bancorporation			
Long-Term Issuer	-	BBB	BBB-
Senior Unsecured Debt	B2	BBB	BBB-
Short-Term/Commercial Paper	NP	F2	A-3

¹ Performance Ratios as calculated on internal unaudited management financial reports

² Excludes net losses on securities & gains on acquisitions of Alliance Bank

³ Excludes FDIC Supported Assets

⁴ Includes Allowance for Credit losses on Off-Balance Sheet Credit Exposures included in Other Liabilities

CB&T Statement of Condition*Dollars in thousands (unaudited)*

Assets	June 30, 2010	March 31, 2010	June 30, 2009
Cash and Due from Banks	\$193,551	\$181,248	\$213,040
Money Market Investments	1,014,820	827,798	1,019
Investment Securities	311,927	304,245	525,801
Loans and Leases, Net of Unearned Income	7,376,614	7,458,534	7,812,113
FDIC Supported Assets	1,178,058	1,283,207	678,724
Allowance for Loan and Lease Losses	(255,150)	(241,272)	(151,600)
Premises & Equipment	52,502	52,237	48,017
Intangible Assets	393,093	394,416	389,172
Other Assets	912,218	979,805	790,130
Total Assets	\$11,177,633	\$11,240,218	\$10,306,416
Liabilities & Capital			
Liabilities			
Demand Deposits	\$3,185,934	\$3,067,448	\$2,668,032
Interest Checking	519,788	528,126	443,395
Savings	256,236	257,558	240,168
Money Market	4,169,937	4,217,567	3,683,399
Time Deposits	1,121,018	1,261,164	1,465,446
Foreign Deposits	411,217	412,094	16,044
Total Deposits	9,664,130	9,743,957	8,516,484
Other Interest Bearing Liabilities	2,549	6,757	320,867
Allowance for Credit losses on Off-Balance Sheet			
Credit Exposures	21,889	22,362	15,978
Other Liabilities	83,856	75,133	89,183
Total Liabilities	9,772,424	9,848,209	8,942,512
Shareholder's Equity	1,405,209	1,392,009	1,363,904
Total Liabilities & Shareholder's Equity	\$11,177,633	\$11,240,218	\$10,306,416

CB&T Statement of Earnings*Dollars in thousands (unaudited)*

Earnings	Six Months Ended	
	June 30, 2010	June 30, 2009
Interest Income	\$256,072	\$266,735
Interest Expense	23,427	42,242
Net Interest Income	232,645	224,493
Provision for Loan Losses	82,533	92,417
Net Interest Income after Provision for Loan Losses	150,112	132,076
Noninterest Income	53,113	75,496
Securities Gains (Losses), Net	-	(16,487)
Noninterest Expense		
Salaries and Employee Benefits	72,105	66,305
Premises & Equipment	18,318	16,918
Amortization of Intangible Assets	2,659	2,174
Other Operating Expenses	64,936	48,052
Total Noninterest Expense	158,018	133,449
Income Before Income Taxes	45,207	57,636
Income Taxes	20,976	21,878
Net Income	\$24,231	\$35,758