



May 3, 2011

Dear Valued Customer,

California Bank & Trust (CB&T) is off to a great start in 2011. I am pleased to report that the bank realized net income of \$31.6 million in the first quarter, a significant increase over the \$9.9 million reported for the same period last year. The increase is largely the result of reductions in credit-related costs as all of our credit metrics improved further during the quarter. Our capital ratios have never been stronger, as demonstrated by a Tier 1 Risk-Based Capital Ratio of 13.17% at March 31, 2011.

We are keenly focused on growing our business and meeting our customers' banking needs as the economic recovery gains more solid footing. As an example, the first quarter was a record quarter for mortgage production as we offer competitive rates, short closing times, and attractive relationship banking packages. Also, we are actively lending to qualified small businesses in the markets that we serve.

Our parent company, Zions Bancorporation, returned to profitability this past quarter, reporting net income applicable to common shareholders of \$14.8 million. Zions also reported continued improvements in credit quality, including reductions to loan charge-offs, provision for loan losses, and non-performing and delinquent loans. The complete earnings release may be found at [www.zionsbancorporation.com](http://www.zionsbancorporation.com).

As always, do not hesitate to contact your relationship banker if there is anything we can do to help meet your financial objectives.

Respectfully,

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

David Blackford  
President and CEO

# First Quarter 2011 | Financial Results

## First Quarter 2011 Significant Items

- Net income for the three months ending March 31, 2011, was \$31.6 million compared to \$9.9 million for the same period in 2010. The improvement was largely due to a \$30.7 million reduction in the provision for loan losses.
- Net interest income for the three months ending March 31, 2011, increased compared to the year-ago period as a result of higher discount accretion on the acquired FDIC supported loans due to lower than expected credit losses. The Net Interest Margin increased to 5.42% in 2011 from 4.76% in the first quarter of 2010.
- Noninterest income included a non-recurring gain of \$18.9 million related to amounts received from the FDIC on certain acquired loans recently determined to be covered by the FDIC loss sharing agreement. This was mostly offset by a \$13.5 million loss on a security sold to our parent company (reported under securities gains (losses)).
- Other operating expenses increased primarily as a result of higher amortization of the FDIC Indemnification Asset. This resulted from lower than expected reimbursements from the FDIC due to lower projected losses on the acquired loans covered by the loss sharing agreements.
- The Tier 1 Risk-Based Capital Ratio increased to 13.17% as of March 31, 2011, compared to 12.40% as of December 31, 2010, and 11.11% as of March 31, 2010.
- Loans, excluding FDIC supported loans, decreased by 0.8%, while deposits were flat compared to December 31, 2010.
- The Provision for Loan Losses was \$11.2 million for the three months ending March 31, 2011, a 73.3% decrease compared to the year-ago period.
- Annualized net charge-offs as a percentage of average loans were 1.00% for the first quarter of 2011, compared to 1.92% for the year-ago period, excluding FDIC supported loans.

Performance Ratios <sup>1</sup>	Quarter Ended March 31		
	2011	2010	2010
Net Interest Margin	5.42%		4.76%
Operating Efficiency Ratio <sup>2</sup>	60.0%		52.9%
Cash Return on Average Assets <sup>2</sup>	1.13%		0.41%
Cash Return on Average Equity <sup>2</sup>	11.1%		4.3%
Net Charge-offs/Average Loans <sup>3</sup>	1.00%		1.92%
Other Ratios <sup>1</sup>	March 31	December 31	March 31
<i>Dollars in thousands (unaudited)</i>	2011	2010	2010
Non-performing Loans + OREO/Loans + OREO <sup>3</sup>	2.49%	2.78%	3.26%
Allowance for Credit Losses <sup>4</sup> /Loans <sup>3</sup>	3.08%	3.22%	3.34%
Loan-to-Deposit Ratio	90.4%	91.7%	89.2%
Capital Ratios	March 31	December 31	March 31
	2011	2010	2010
Tangible Equity/Tangible Assets	10.37%	10.08%	9.31%
Tier 1 Leverage	10.56%	9.94%	9.46%
Tier 1 Risk-Based Capital	13.17%	12.40%	11.11%
Total Risk-Based Capital	14.44%	13.68%	12.38%
Credit Rating			
<i>(Ratings are current as of 04/22/2011)</i>	Moody's	Fitch	S&P
<b>California Bank &amp; Trust</b>			
Long-Term Issuer	B1	BBB-	-
Certificate of Deposits	Ba3	BBB	-
<b>Zions Bancorporation</b>			
Long-Term Issuer	-	BBB-	BBB-
Senior Unsecured Debt	B2	BBB-	BBB-
Short-Term/Commercial Paper	NP	F3	A-3

<sup>1</sup> Dollars in thousands and Performance Ratios as calculated on internal unaudited management financial reports

<sup>2</sup> Excludes net losses on securities and gains on FDIC assisted acquisitions

<sup>3</sup> Excludes FDIC Supported Loans

<sup>4</sup> Includes Allowance for Credit Losses on Off-Balance Sheet Credit Exposures included in Other Liabilities and excludes Allowance for Credit Losses on FDIC Supported Loans

CB&T Statement of Condition	March 31	December 31	March 31
<i>Dollars in thousands (unaudited)</i>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Assets</b>			
Cash and Due from Banks	\$165,679	\$129,241	\$181,248
Money Market Investments	990,759	842,173	827,798
Investment Securities	385,018	401,686	304,245
Loans and Leases, Net of Unearned Income	7,479,824	7,543,474	7,458,534
FDIC Supported Loans	855,182	909,368	1,236,194
Allowance for Loan and Lease Losses	(237,928)	(257,812)	(241,272)
Premises & Equipment	54,541	54,181	52,237
Intangible Assets	389,215	390,497	394,416
Other Assets	705,176	752,735	1,026,818
<b>Total Assets</b>	<b>\$10,787,466</b>	<b>\$10,765,543</b>	<b>\$11,240,218</b>
<b>Liabilities &amp; Capital</b>			
Demand Deposits	\$3,328,893	\$3,164,435	\$3,067,448
Interest Checking	532,785	555,268	528,126
Savings	274,907	262,918	257,558
Money Market	3,998,300	4,089,913	4,217,567
Time Deposits	961,586	1,017,820	1,261,164
Foreign Deposits	122,674	129,224	412,094
Total Deposits	9,219,145	9,219,578	9,743,957
Other Interest-Bearing Liabilities	11,419	4,975	6,757
Allowance for Credit Losses on Off-Balance Sheet			
Credit Exposures	18,790	22,306	22,362
Other Liabilities	70,939	82,612	75,133
<b>Total Liabilities</b>	<b>9,320,293</b>	<b>9,329,471</b>	<b>9,848,209</b>
<b>Shareholder's Equity</b>	<b>1,467,173</b>	<b>1,436,072</b>	<b>1,392,009</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$10,787,466</b>	<b>\$10,765,543</b>	<b>\$11,240,218</b>

CB&T Statement of Earnings	Three Months Ended March 31	
<i>Dollars in thousands (unaudited)</i>	<b>2011</b>	<b>2010</b>
<b>Earnings</b>		
Interest Income	\$134,322	\$124,799
Interest Expense	6,134	11,392
Net Interest Income	128,188	113,407
Provision for Loan Losses	11,186	41,902
Net Interest Income after Provision for Loan Losses	117,002	71,505
Noninterest Income	37,987	26,002
Securities Gains (Losses), Net	(13,467)	0
<b>Noninterest Expense</b>		
Salaries and Employee Benefits	37,324	36,789
Premises & Equipment	9,170	8,961
Amortization of Intangible Assets	1,269	1,338
Other Operating Expenses	41,631	27,901
<b>Total Noninterest Expense</b>	<b>89,394</b>	<b>74,989</b>
Income Before Income Taxes	52,128	22,518
Income Taxes	20,563	12,606
<b>Net Income</b>	<b>\$31,565</b>	<b>\$9,912</b>