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Third Quarter 2011 | Financial Results



CALIFORNIA BANK
TRUST

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November 1, 2011

Dear Valued Customer,

The financial news during the third quarter was dominated by the extreme stock market volatility, renewed concerns over weak economic conditions in the United States and the escalating sovereign debt crisis in Europe. In spite of this, California Bank & Trust (CB&T) continued to generate stable financial results, marked by strong operating earnings and further improvements to credit quality.

Net income for the nine months ending September 30, 2011, was \$103.5 million, compared to \$41.6 million for the same period last year. CB&T's steady performance is the result of focusing on our core business of providing high-touch relationship banking services. We have avoided many of the lines of business currently causing problems for larger banks, such as proprietary trading, making markets in derivatives and higher-risk mortgage lending. We believe this puts us in a strong position to navigate uncertain times, while generating stable financial results.

We remain highly focused on growing our loan portfolio and providing competitively priced solutions to credit-worthy customers. Our local decision making and responsive bankers allow us to make approval decisions quickly and to close new loan transactions efficiently.

Our parent company, Zions Bancorporation, also reported continued improvement in credit quality and stable net interest income for the third quarter. Net income applicable to common shareholders was \$65.2 million, compared to \$29.0 million in the second quarter. While overall loan demand softened somewhat compared to the prior quarter, the company continued to experience growth in several categories offset by intended declines in the construction loan portfolio. The complete earnings release may be found at www.zionsbancorporation.com.

As always, please contact your banker if there is anything we can do to help you meet your financial objectives.

Respectfully,

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

David Blackford
President and CEO

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Third Quarter 2011 Significant Items

- Net income for the nine months ending September 30, 2011 was \$103.5 million compared to \$41.6 million for the same period in 2010. The improvement was largely due to a \$116.1 million reduction in the provision for loan losses.
- Net interest income for the nine months ending September 30, 2011 increased compared to the year-ago period as a result of higher discount accretion on the acquired FDIC supported loans due to lower expected credit losses. The Net Interest Margin increased to 5.28% in 2011 from 4.96% in 2010.
- The securities losses of \$21.2 million are primarily the result of selling certain securities at market value to the parent company.
- The increase in year-to-date other operating expenses is due primarily to higher amortization of the FDIC Indemnification Asset. The higher amortization results from lower expected reimbursements from the FDIC due to lower projected credit losses on the acquired loans covered by loss sharing agreements.
- Loans, excluding FDIC supported loans, increased by 0.9%, while deposits increased 1.9% compared to June 30, 2011.
- Annualized net charge-offs as a percentage of average loans continued to decline during the quarter. The rate was 0.41% for the third quarter of 2011, compared to 2.33% for the year-ago quarter.
- The Tier 1 Risk-Based Capital Ratio increased to 13.90% as of September 30, 2011 compared to 13.76% as of June 30, 2011 and 11.82% as of September 30, 2010.

Performance Ratios ¹	Nine Months Ended September 30		Three Months Ended September 30	
	2011	2010	2011	2010
Net Interest Margin	5.28%	4.96%	5.13%	5.23%
Operating Efficiency Ratio ²	59.9%	55.6%	59.0%	58.3%
Cash Return on Average Assets ²	1.36%	0.55%	1.43%	0.67%
Cash Return on Average Equity ²	12.9%	5.8%	13.3%	7.0%
Net Charge-offs/Average Loans ³	0.64%	2.06%	0.41%	2.33%

Other Ratios ¹	September 30	June 30	September 30
	2011	2011	2010
Non-performing Loans + OREO/Loans + OREO ³	2.25%	2.42%	3.53%
Allowance for Credit Losses ⁴ /Loans ³	2.71%	2.84%	3.26%
Loan-to-Deposit Ratio	89.4%	90.9%	90.3%

Capital Ratios	September 30	June 30	September 30
	2011	2011	2010
Tangible Equity/Tangible Assets	10.70%	10.77%	9.62%
Tier 1 Leverage	10.87%	10.92%	9.69%
Tier 1 Risk-Based Capital	13.90%	13.76%	11.82%
Total Risk-Based Capital	15.17%	15.03%	13.10%

Credit Rating	Moody's	Fitch	S&P
	<i>(Ratings are current as of 10/21/2011)</i>		
California Bank & Trust			
Long-Term Issuer	B1	BBB-	—
Certificate of Deposits	Ba3	BBB	—
Zions Bancorporation			
Long-Term Issuer	—	BBB-	BBB-
Senior Unsecured Debt	B2	BBB-	BBB-
Short-Term/Commercial Paper	NP	F3	A-3

¹ Dollars in thousands and Performance Ratios as calculated on internal unaudited management financial reports

² Excludes net losses on securities and gains on FDIC assisted acquisitions

³ Excludes FDIC Supported Loans

⁴ 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		September 30	June 30	September 30
<i>Dollars in thousands (unaudited)</i>		2011	2011	2010
Assets				
Cash and Due from Banks		\$189,514	\$166,346	\$175,098
Money Market Investments		1,193,360	988,575	970,851
Investment Securities		354,531	399,204	326,103
Loans and Leases, Net of Unearned Income		7,584,402	7,517,625	7,603,455
FDIC Supported Loans		749,292	800,329	1,017,592
Allowance for Loan and Lease Losses		(208,209)	(219,953)	(271,806)
Premises & Equipment		55,800	54,399	52,744
Intangible Assets		388,035	388,617	391,786
Other Assets		632,086	685,838	805,784
Total Assets		\$10,938,811	\$10,780,980	\$11,071,607
Liabilities & Capital				
Demand Deposits		\$3,607,519	\$3,371,390	\$3,277,216
Interest Checking		503,316	524,944	541,748
Savings		274,406	277,178	258,973
Money Market		3,974,747	3,924,650	4,231,865
Time Deposits		899,382	928,976	1,066,114
Foreign Deposits		59,151	121,719	166,973
Total Deposits		9,318,521	9,148,857	9,542,889
Other Interest-Bearing Liabilities		245	245	245
Allowance for Credit Losses on Off-Balance Sheet				
Credit Exposures		22,801	20,412	22,306
Other Liabilities		81,055	103,115	86,903
Total Liabilities		9,422,622	9,272,629	9,652,343
Shareholder's Equity		1,516,189	1,508,351	1,419,264
Total Liabilities & Shareholder's Equity		\$10,938,811	\$10,780,980	\$11,071,607

CB&T Statement of Earnings		Nine Months Ended September 30	
<i>Dollars in thousands (unaudited)</i>		2011	2010
Earnings			
Interest Income		\$399,936	\$394,094
Interest Expense		16,641	32,357
Net Interest Income		383,295	361,737
Provision for Loan Losses		3,947	120,093
Net Interest Income after Provision for Loan Losses		379,348	241,644
Non-interest Income		84,626	82,039
Securities Gains (Losses), Net		(21,190)	0
Non-interest Expense			
Salaries and Employee Benefits		112,588	108,875
Premises & Equipment		27,472	28,183
Amortization of Intangible Assets		2,422	3,963
Other Operating Expenses		128,898	109,847
Total Non-interest Expense		271,380	250,868
Income Before Income Taxes		171,404	72,815
Income Taxes		67,896	31,214
Net Income		\$103,508	\$41,601



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