

January 27, 2010



Dear Valued Customer:

By most measures, 2009 was another very tough year for the banking industry. Weak economic conditions, rising unemployment and steep declines in real estate values led to high loss rates on loans and investments as well as to the failure of 140 banks throughout the country.

I'm pleased that over the course of the year - and in the face of these economic challenges - CB&T was able to accomplish many key objectives. We significantly reduced balance sheet risk, strengthened capital and liquidity levels and generated strong operating earnings. In addition, we grew the franchise through two acquisitions. Despite these accomplishments, though, non-recurring securities losses led to a net loss for the year.

### **Financial Results**

Results for the year were adversely affected by securities losses and the building of loan loss reserves. This resulted in a Net Loss of \$50.2 million for 2009 compared to Net Income of \$38.6 million for 2008.

CB&T incurred \$319.0 million in net securities losses, most of which resulted from the transfer of securities to our parent company. Management made the decision to sell the securities to mitigate the possibility of any further significant deterioration in valuations. By taking this step, CB&T reduced its holdings of CDO investments from \$660 million to \$216 million during the course of the year. The securities are recorded at fair value on Zions Bancorporation's balance sheet, although the losses taken by CB&T are eliminated on Zions Bancorporation's consolidated income statement.

The Provision for Loan Losses was \$251.5 million for the year, which is \$106 million in excess of net loan charge-offs. The Allowance for Credit Losses increased to 3.21% of loans as of December 31, 2009, compared to 2.94% at September 30, 2009.

Offsetting these charges, were one-time gains of \$152.7 million on the FDIC assisted acquisitions of Alliance Bank and Vineyard Bank.

### **Strong Core Bank Performance**

Significantly, the core bank performed at a high level once again this year, generating record operating pre-tax, pre-provision earnings. The Net Interest Margin increased to 4.78% from 4.51% in 2008 and the operating efficiency ratio remained very low at 47.1% for the year.

### **Stabilization of Credit Quality**

Net charge-offs as a percentage of average loans declined in the fourth quarter. Annualized charge-offs decreased to 2.04% of average loans, compared to 2.35% in the third quarter. Non-performing assets as a percentage of loans and OREO increased modestly from 3.23% at September 30, 2009, to 3.43% at December 31, 2009.

### **Higher Regulatory Capital Ratios**

Both the Tier 1 Risk-Based Ratio and the Total Risk-Based Capital Ratio increased each quarter this year from lows as of March 31, 2009. The Tier 1 Risk-Based Capital Ratio improved from 8.33% at December 31, 2008, to 10.25% and the Total Risk-Based Ratio increased from 11.05% to 11.51%.

### **Zions Bancorporation Earnings Release**

Our parent company, Zions Bancorporation, recently announced earnings for the fourth quarter. The earnings release can be found at [www.zionsbancorporation.com](http://www.zionsbancorporation.com). The quarterly results reflected moderation in the growth of problem assets, a reduction in provision expense and net charge-offs, and strong demand deposit growth.

In summary, by reducing the risk in our securities portfolio and addressing problem loans, we start 2010 in a strong position. As always, our experienced and dedicated bankers are here to meet your needs and offer you a superior banking experience.

Thank you.

Sincerely,

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

David Blackford  
President and CEO

# CALIFORNIA BANK & TRUST

## 2009 4<sup>TH</sup> QUARTER FINANCIAL RESULTS

(January 27, 2010)

### 2009 Significant Items

- The Net Loss for 2009 was \$50.2 million, compared to Net Income of \$38.6 million for 2008. The decrease was primarily due to \$319.0 million of securities losses.
- The Net Interest Margin for 2009 increased to 4.78% from 4.51% in 2008.
- 2009 results included gains of \$152.7 million on the acquisitions of the banking operations of Alliance Bank and Vineyard Bank.
- The Provision for Loan Losses was \$251.5 million for 2009, compared to \$82.9 million for 2008.
- The Allowance for Loan Losses was \$223.4 million as of December 31, 2009, compared to \$208.1 million
- The Tier 1 Risk-Based Capital Ratio increased to 10.25% as of December 31, 2009, compared to 9.93% as of September 30, 2009 and 8.33% as of December 31, 2008.

Performance Ratios <sup>1</sup>	Year Ended		Three Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Net Interest Margin	4.78%	4.51%	4.81%	4.61%
Operating Efficiency Ratio <sup>2</sup>	47.1%	47.3%	47.8%	47.4%
Cash Return on Average Assets <sup>2</sup>	0.48%	1.13%	0.79%	1.16%
Cash Return on Average Equity <sup>2</sup>	5.3%	16.2%	8.4%	15.8%
Net Charge-offs/Average Loans <sup>3</sup>	1.85%	0.78%	2.04%	0.89%

Balance Sheet Amounts / Ratios	December 31, 2009	September 30, 2009	December 31, 2008
Total Loans	\$8,961,918	\$9,226,342	\$7,867,139
Nonperforming Loans + OREO/Loans + OREO <sup>3</sup>	3.43%	3.23%	1.87%
Allowance for Credit Losses <sup>4</sup> /Loans <sup>3</sup>	3.21%	2.94%	1.69%
Total Deposits	\$9,761,552	\$9,466,702	\$7,964,440
Loan-to-Deposit Ratio	91.8%	97.5%	98.8%

Capital Ratios	December 31, 2009	September 30, 2009	December 31, 2008
Tangible Equity/Tangible Assets	9.22%	9.04%	8.92%
Tier 1 Leverage	8.81%	9.45%	8.77%
Tier 1 Risk-based Capital	10.25%	9.93%	8.33%
Total Risk-based Capital	11.51%	11.19%	11.05%

Credit Rating	Moody's	Fitch	S&P
<i>(Ratings are current as of January 27, 2010)</i>			
<b>California Bank &amp; Trust</b>			
Long-Term Issuer	Ba3	BBB	–
Certificate of Deposits	Ba2	BBB+	–
<b>Zions Bancorporation</b>			
Long-Term Issuer	–	BBB	BBB-
Senior Unsecured Debt	B2	BBB	BBB-
Short-Term/Commercial Paper	NP	F2	A-3

<sup>1</sup> Performance Ratios as calculated on internal unaudited management financial reports

<sup>2</sup> Excludes net losses on securities & gains on acquisitions of Alliance Bank & Vineyard Bank

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

<sup>4</sup> 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	December 31, 2009	September 30, 2009	December 31, 2008
Cash and Due from Banks	\$ 191,985	\$ 206,098	\$ 218,428
Money Market Investments	440,087	40,303	371,922
Investment Securities	291,992	402,562	719,276
Loans and Leases, Net of Unearned Income	7,611,860	7,738,394	7,867,139
FDIC Supported Assets	1,403,531	1,542,735	-
Allowance for Loan and Lease Losses	(223,405)	(208,101)	(116,236)
Premises & Equipment	51,830	47,552	46,751
Intangible Assets	395,758	397,188	385,815
Other Assets	1,091,170	1,130,942	652,277
<b>Total Assets</b>	<b>\$ 11,254,808</b>	<b>\$ 11,297,673</b>	<b>\$ 10,145,372</b>
<b>Liabilities &amp; Capital</b>			
<b>Liabilities</b>			
Demand Deposits	\$ 3,120,067	\$ 2,896,835	\$ 2,338,521
Interest Checking	537,663	492,332	455,256
Savings	255,342	262,334	221,851
Money Market	4,010,327	3,967,193	3,676,176
Time Deposits	1,429,351	1,836,729	1,265,833
Foreign Deposits	408,802	11,279	6,803
<b>Total Deposits</b>	<b>9,761,552</b>	<b>9,466,702</b>	<b>7,964,440</b>
Other Interest Bearing Liabilities	9,742	354,400	824,094
Allowance for Credit losses on Off-Balance Sheet Credit Exposures	21,264	19,375	16,895
Other Liabilities	80,169	75,089	84,677
<b>Total Liabilities</b>	<b>9,872,727</b>	<b>9,915,566</b>	<b>8,890,106</b>
<b>Shareholder's Equity</b>	<b>1,382,081</b>	<b>1,382,107</b>	<b>1,255,266</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$ 11,254,808</b>	<b>\$ 11,297,673</b>	<b>\$ 10,145,372</b>

## CB&T Statement of Earnings

Dollars in thousands (unaudited)

Earnings	Year Ended	
	December 31, 2009	December 31, 2008
Interest Income	\$ 539,446	\$ 575,477
Interest Expense	74,428	160,193
<b>Net Interest Income</b>	<b>465,018</b>	<b>415,284</b>
Provision for Loan Losses	251,531	82,885
<b>Net Interest Income after Provision for Loan Losses</b>	<b>213,487</b>	<b>332,399</b>
Noninterest Income	299,633	79,164
Securities Gains (Losses), Net	(319,024)	(117,923)
<b>Noninterest Expense</b>		
Salaries and Employee Benefits	140,383	122,841
Premises & Equipment	36,367	33,281
Amortization of Intangible Assets	5,033	4,109
Other Operating Expenses	108,083	76,413
<b>Total Noninterest Expense</b>	<b>289,866</b>	<b>236,644</b>
Income Before Income Taxes	(95,770)	56,996
Income Taxes	(45,594)	18,352
<b>Net Income</b>	<b>\$ (50,176)</b>	<b>\$ 38,644</b>